

Western Economic Diversification Canada

2007–2008

Departmental Performance Report



Western Economic
Diversification Canada

Diversification de l'économie
de l'Ouest Canada

Canada

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SECTION I – OVERVIEW

Minister's Message

As Minister responsible for Western Economic Diversification Canada (WD), I am pleased to present the Departmental Performance Report for 2007-2008.

For more than 20 years, WD has worked diligently to support the long-term development and diversification of the western economy and represent the West in national policy and program implementation. As a champion for the West, the Department continues to play a vital role in helping build a stronger West and stronger Canada.

In 2007-2008, WD focused its work on achieving results that support the Department's three, interconnected strategic outcomes:

- A competitive and expanded business sector and a strengthened innovation system in Western Canada;
- Economically viable communities in Western Canada with a high quality of life; and,
- Policies and programs that support the development of Western Canada.

Entrepreneurs and innovators are key drivers of the western economy and crucial to its future prosperity. Investments in WD's long-standing Western Canada Business Service Network have provided small- and medium-sized enterprises with improved access to risk capital and business services. Our work in innovation priorities continues to increase knowledge-driven and value-added activities that transfer to commercial applications.

Western communities are constantly adjusting to changing – and often challenging – economic circumstances. As such, our department played an important role in helping shape the long-term sustainability of these communities. Last year, WD partnered with provincial and municipal governments to deliver crucial infrastructure investments in communities across the West and made continued progress delivering projects that help western communities sustain their local economies.

WD worked collaboratively with provincial and municipal governments, universities, research institutes, industry and not-for-profit organizations throughout 2007-2008. These close working relationships helped to ensure that WD was as a strong and informed partner in the development and diversification of the western economy and in the development of federal policies and programs.

As we move forward, Western Economic Diversification Canada is investing in partnerships, projects and programs that support entrepreneurship, strengthen innovation and contribute toward a sound economic future for Canadians.

The Honourable Jim Prentice, P.C., M.P.

Minister's of State Message

Western Canada's strong base of natural resources, emerging business clusters and innovation make it a key contributor to Canada's economy. As the federal department responsible for the West, Western Economic Diversification Canada (WD) works with partners and stakeholders to foster the development of these resources and contribute to the stability and diversification of the western economy.

WD priorities support the Department's strategic outcomes and we have actively worked to strengthen these priorities to ensure our efforts stay focused on stimulating a robust, resilient and diversified western economy.



Through targeted investments in major undertakings, such as our investment in the Asia-Pacific Gateway and Corridor Initiative and regional science and technology councils, we are ensuring the region's global competitiveness and opportunities for trade and investment continue to increase. We are also contributing strongly to the priorities outlined in the Advantage Canada Plan and the Science and Technology Strategy, and supporting the creation and growth of an entrepreneurial and knowledge-based economy in the West.

To ensure the continued relevance and effectiveness of our activities, over the past year WD initiated evaluations of two major programs – the Western Diversification Program and the Community Futures Program. WD also completed an impact study in 2007–2008 of our investments in Western Canada's life sciences cluster, and initiated impact assessments of the Women's Enterprise Initiative and Francophone Economic Development Organizations. This on-going evaluation activity is essential for WD to continue to deliver positive results for the West and provide value for money for our citizens.

In 2007–2008, WD invested a total of \$195.9M in 197 projects that leveraged an additional \$299.2M from other partners. Through partnerships with provincial and municipal governments, universities, research institutes, industry and not-for-profit organizations, initiatives such as our Western Economic Partnership Agreements and Loan and Investment Program continue to support and nurture entrepreneurial capability and skills development.

By building on regional strengths and investing in western communities, entrepreneurs, and innovators, WD is helping create a sound foundation for Western Canada over the long-term.

The Honourable Lynne Yelich, P.C., M.P.

Management Representation Statement

I submit for tabling in Parliament, the 2007–2008 Departmental Performance Report (DPR) for Western Economic Diversification Canada.

This document has been prepared based on the reporting principles contained in the *Guide for the Preparation of Part III of the 2007–2008 Estimates: Reports on Plans and Priorities and Departmental Performance Reports*:

- it adheres to the specific reporting requirements outlined in the Treasury Board Secretariat (TBS) guidance;
- it is based on the Department's approved Program Activity Architecture (PAA) as reflected in its Management Resources and Results Structure (MRRS);
- it presents consistent, comprehensive, balanced and reliable information;
- it provides a basis of accountability for the results achieved with the resources and authorities entrusted to it; and
- it reports finances based on approved numbers from the Estimates and the Public Accounts of Canada.

Oryssia J. Lennie
Deputy Minister
Western Economic Diversification Canada

Summary Table

Reason for Existence

Western Economic Diversification Canada's mandate is to promote the development and diversification of the economy of Western Canada (Manitoba, Saskatchewan, Alberta and British Columbia) and to advance the interests of Western Canada in national economic policy, program and project development and implementation.

Financial Resources (\$ thousands)

2007-2008		
Planned Spending	Authorities ¹	Actual Spending ²
\$269,082	\$326,723	\$247,160

Human Resources (FTEs)

2007-2008		
Planned	Actual	Difference
384	395	-11

Departmental Priorities

Name	Type ³ and Status ⁴
1. Support for <u>business competitiveness and growth</u>	Ongoing – Successfully Met
2. Improve <u>linkages between strategic infrastructure investments and economic development</u> initiatives	Updated Commitment – Successfully Met
3. Greater emphasis on supporting <u>commercialization and value-added production</u>	Updated Commitment – Successfully Met
4. Improve <u>international competitiveness and strengthen trade and economic corridors</u> of importance to the West	Ongoing – Successfully Met
5. <u>Strengthen accountability, transparency, and performance reporting</u> with members of the Western Canada Business Service Network (WCBSN) and improve coordination among WCBSN members and other business and economic organizations	New – Successfully Met
6. Implement a <u>modern management agenda</u> that focuses on improving management practices within the Department including: strengthening accountability to Canadians, integration of human resource planning and risk assessment with business planning, and improving information management	Ongoing – Successfully Met

¹ Total Authorities are greater than Planned Spending as \$65.5M was received through Supplementary Estimates (\$16.5M grant for BC Flood Risk Structure Mitigation, \$16.6M contribution re-profile for Infrastructure Canada Program, \$15.2M contribution transfer for Mountain Pine Beetle initiatives, \$12M contribution transfer for International Vaccine Centre's (InterVac) Biosafety Level III Containment Facility, and \$5.2M for other items).

² Actual Spending is lower than Total Authorities, primarily due to the transfer of contractual commitments under ICP, MPB initiatives, Alberta and Saskatchewan Centenaries Initiative and InterVac.

³ A new priority is one being introduced for the planning period; an ongoing priority is considered to have no end date; and an updated commitment is a previous priority that has been updated.

⁴ Performance status on the expected result for each Departmental Priority is rated as "successfully met", "not met", or "exceeded expectations".

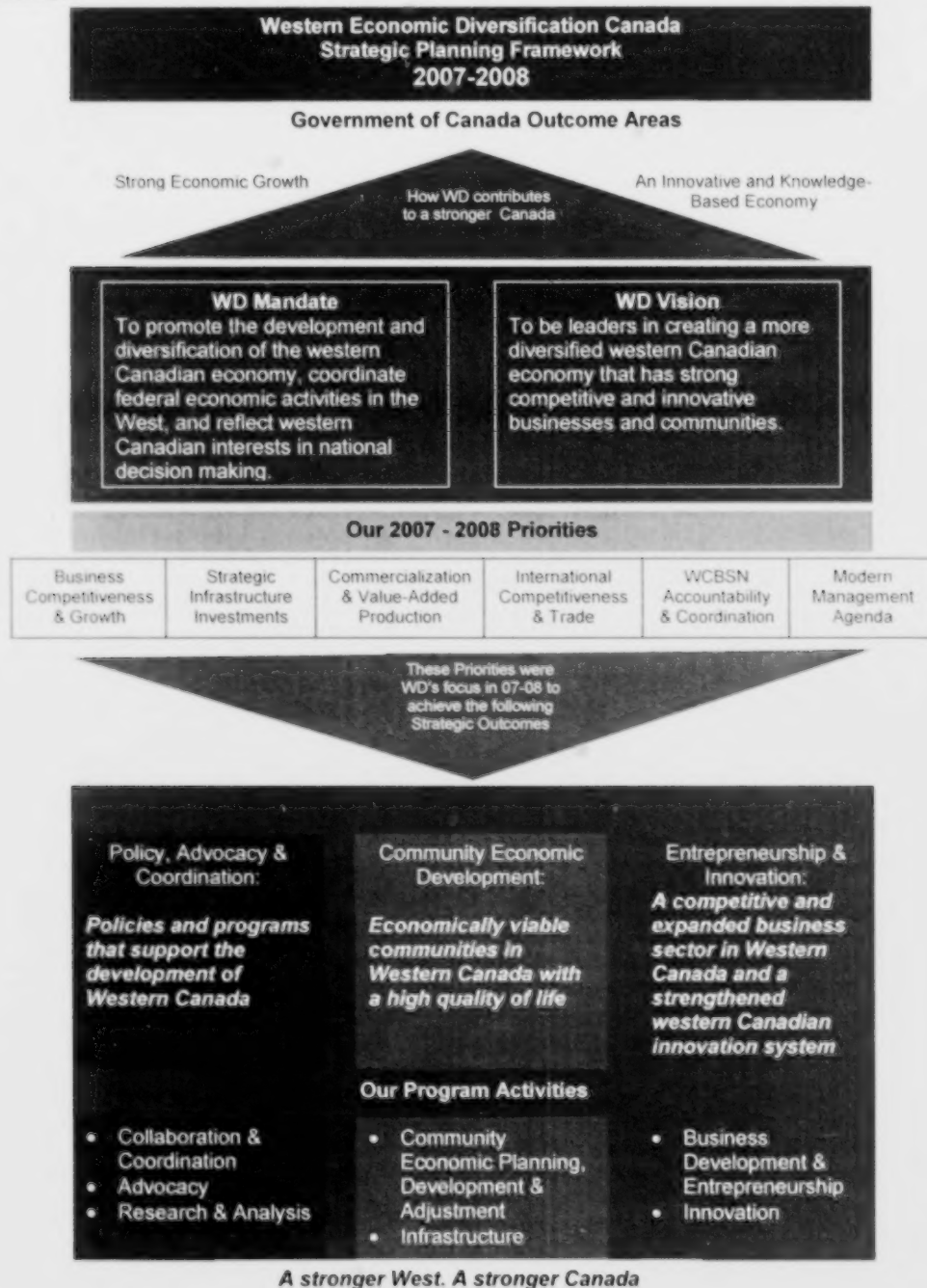
Status on Performance

Status on Performance			2007-2008		
Program Activity	Expected Results	Performance Status ⁴	Planned Spending (000's)	Actual Spending (000's)	Contributes to the following priority
Strategic Outcome: A competitive and expanded business sector in Western Canada and a strengthened western Canadian innovation system (Entrepreneurship & Innovation)					
<u>Business Development & Entrepreneurship</u>	The growth of small businesses in Western Canada and their improved capacity to remain competitive in the face of rising global competition.	Successfully Met	57,786	55,987	1 - Business competitiveness & growth 4 - International competitiveness and strengthen trade and economic corridors 5 - Strengthen accountability, transparency, and performance reporting
<u>Innovation</u>	An increase in knowledge-driven and value-added economic activities, built on both traditional and emerging industries, that creates a more diversified and resilient economy in Western Canada.	Successfully Met	64,696	70,065	3- Commercialization and value-added production
Strategic Outcome: Economically viable communities in Western Canada with a high quality of life (Community Economic Development)					
<u>Community Economic Planning, Development and Adjustment</u>	To ensure strong and viable communities in urban and rural areas of Western Canada capable of responding to challenges that hinder competitiveness, opportunities, and quality of life.	Successfully Met	103,952	74,153	
<u>Infrastructure</u>	To improve and expand sustainable public infrastructure that enhances the quality of the environment and allows for long-term economic growth.	Successfully Met	29,946	36,505	2 - Linkages between strategic infrastructure investments and economic development
Strategic Outcome: Policies and programs that support the development of Western Canada (Policy, Advocacy and Coordination)					
<u>Collaboration & Coordination</u>	Better coordinated economic development activities and programs in the West.	Successfully Met	5,885	4,475	All program priorities
<u>Advocacy</u>	An improved understanding and awareness of western issues and increased access to and participation in federal programs by the region.	Successfully Met	2,660	3,223	All program priorities
<u>Research & Analysis</u>	An enhanced dialogue around and understanding of western issues, challenges, opportunities and priorities.	Successfully Met	4,157	2,752	All program priorities

^a Performance status on the expected result for each Program Activity is rated as "successfully met", "not met", or "exceeded expectations".

WD's Strategic Planning Framework

The diagram below summarizes WD's PAA, demonstrates how WD's 2007–2008 priorities contributed to achieving the Department's Strategic Outcomes, and how WD contributes to the Government of Canada outcomes. (For a complete listing of WD's sub-activities, please refer to [Table 15.](#))



Summary of Departmental Performance

Operating Environment

The Department's main activities consist of providing grants and contributions (G&C) funding for projects that contribute to WD's strategic outcomes. A range of program authorities are used to deliver WD's mandate and these are described in more detail in [Table 5](#), as well as on WD's web site under [Programs](#). WD posts listings of approved G&C projects in excess of \$25,000 on the departmental web site under [Proactive Disclosure of WD Expenditures](#).

To deliver its mandate effectively, WD relies upon its strong relationships with provincial governments, municipalities, universities and other post-secondary institutions, business associations, community economic development organizations, financial institutions, and the not-for-profit sector. Many of these relationships have resulted in formal agreements between two or more orders of government to deliver on joint priorities, such as the Western Economic Partnership Agreements, the Urban Development Agreements, and the Canada-Saskatchewan Northern Development Agreement. These agreements are sub-programs of WD's "flagship" program authority, the Western Diversification Program, and are described in more detail on WD's web site under [Programs](#).

Small business growth and competitiveness is critical to the development and diversification of the western Canadian economy, and the Department contributes to the success of Small- and Medium-sized Enterprises (SMEs) in the West by making resources available for them to grow their businesses. Rather than providing funding directly to individual businesses, the Department works with industry or business organizations and other entities such as members of the [Western Canada Business Service Network \(WCBSN\)](#). WD provides operating funding to WCBSN members [Community Futures Development Corporations (CFDC), Canada Business Service Centres, Women's Enterprise Centres, and Francophone Economic Development Organization (FEDO)]. These organizations work with each other, their respective communities, and with other organizations to ensure that SMEs have access to information and capital.

Performance Measurement

All proposed projects are subject to rigorous due diligence, and must contribute to one of WD's Strategic Outcomes. WD's performance management framework includes relevant performance indicators at all levels of the PAA. A continuing challenge for the Department is to aggregate the results of diverse projects, which in many cases may not realize results for up to five years after approval. Project Gateway, WD's web-based G&C project information system, continues to assist in these efforts. For example, a results reporting module was added to Project Gateway in 2007-2008, which allows for the reporting of aggregate program activity results. WD's Collaboration and Coordination, and Advocacy program activities present additional challenges in reporting results, as they do not generally entail project funding, often involving interventions by WD staff on interdepartmental and Cabinet issues.

One strong component of WD's performance management framework is the on-line reporting provided quarterly by members of the WCBSN. WD also undertakes program evaluations and impact studies to assess the degree to which key programs succeed in contributing to the Department's outcomes.

Context: Western Canada Economic Overview

In 2007, **Western Canada's** economic performance was robust and well-balanced throughout the region; gross domestic product (GDP) growth averaged 3.2 per cent, compared to the national average growth rate of 2.7 per cent. Despite this recent performance, a number of structural issues need to be addressed over the long-term to ensure a more resilient western economy:

- Ongoing reliance on the resource sector and exposure to volatile commodity markets;
- Low Aboriginal labour force participation rate in spite of overall high employment;
- Low business expenditures on research and development (R&D) resulting in fewer technologies being commercialized;
- Small proportion of western SMEs export, although research indicates exporters outperform non-exporters, and; and
- Lack of access to early stage capital to facilitate company start-up and growth.

The year's favourable economic conditions were driven by numerous factors including: higher oil and commodity prices, steady construction, and thriving consumer demand. The increase in output however, was focused in the services sectors, which expanded by 4.4 per cent compared to a goods-producing activity increase of 0.5 per cent.

Overall, the West accounted for 35.9 per cent of the total national output with only 30.5 per cent of Canada's population in 2007. Across the western provinces, populations grew from both inter-provincial and international migration. More than 31.2 per cent of all newcomers to Canada chose the West as their final destination. However, this increased population did little to ease the tightening labour market as provincial unemployment rates averaged four per cent, significantly lower than the national average of six per cent.

Following the strongest multi-year economic expansion in three decades, **British Columbia's** (BC) economic growth has slowed to 3.1 per cent in 2007 from an average of 3.5 per cent between 2003 and 2006. Fortunes in the province's forest-dependent communities have declined due to the high value of the Canadian dollar and decreased new home construction in the United States (US), which consequently, have led to over 11,000 jobs lost and 47 sawmill closures. These same forest-dependent communities will soon face diminished timber supplies due to the impact of the mountain pine beetle infestation. In contrast, BC's urban economy has performed well, driven by infrastructure development in the lead-up to the 2010 Winter Olympic and Paralympic Games, residential construction, the service sector, and emerging high technology sectors.

Alberta's economy has moderated, falling from a historic 6.6 per cent level of GDP growth in 2006 to 3.3 per cent in 2007. Alberta had Canada's lowest unemployment rate of 3.5 per cent and the highest participation rate. Alberta's population growth was the highest in Canada, but was lower than the all-time high in 2005 due to decreased inter-provincial migration.

The province's strong economic performance was aided largely by record-high oil prices, as the sector accounts for approximately one-in-six jobs in the province. Weaker activity in the natural gas and conventional oil sectors, however, was a significant factor in the province's growth moderation. Likewise, manufacturing activity stagnated as machinery production declined, and

construction activity, while still strong, slowed considerably after a three-year boom. Alberta continues to be heavily reliant on the energy sector, resulting in an economy that is vulnerable to fluctuations in energy prices and demand.

Rebounding from negative growth of -0.4 per cent in 2006, **Saskatchewan's** economy posted a 2.8 per cent expansion in 2007. Soaring commodity prices benefited potash, uranium and grain producers with spillover effects spreading throughout the economy, especially in retail and wholesale trade, financial services and tourism sectors. Employment advanced two percentage points and the unemployment rate dropped to a three-decade low of 4.2 per cent even though the province's population growth exceeded the national average. Residential construction rose sharply with housing starts up 61.7 per cent while prices skyrocketed. Strong growth in labour income spurred consumer spending on a wide variety of other goods and services with retail sale growth highest in the country at 10.2 per cent.

In 2007, **Manitoba's** broad-based expansion of 3.3 per cent tied it with Alberta for the second highest economic growth in Canada. Booming residential and commercial construction, diversified manufacturing growth, and healthy personal spending propelled the province to another year of growth above the national average.

In spite of this, Manitoba was the only western province to register a net loss of population through inter-provincial migration. The unemployment rate held steady at 4.4 per cent and labour income growth expanded 7.4 per cent. Due to its diversity, the province's manufacturing sector has weathered the US slowdown better than most provinces; it registered its highest gain in shipments since 2000. The industry's remarkable 4.6 per cent gain compares to a one per cent weakening at the national level.

Key indicators at the provincial and national level are presented below in Figure 1:

* 2007	BC	AB	SK	MB	ON	QC	NB	NS	PE	NL	Canada
GDP at current price, \$ million	190,214	259,941	51,166	48,586	582,019	298,157	26,410	33,296	4,538	29,034	1,531,427
Real GDP **	163,200	189,470	39,500	41,644	532,842	266,104	23,213	29,042	4,129	19,336	1,316,219
Real GDP growth, %	3.1	3.3	2.8	3.3	2.1	2.4	1.6	1.6	2.0	9.1	2.7
Per capita personal disposable income, current prices \$	26,404	34,258	24,738	24,716	27,250	24,292	23,643	24,148	22,331	24,306	26,826
Unemployment rate, %	4.2	3.5	4.2	4.4	6.4	7.2	7.5	8.0	10.3	13.6	6.0
Labour participation rate, %	66.4	74.3	69.3	69.2	68.1	65.8	64.7	64.0	67.9	58.9	67.7
Consumer price index, annual change, %	1.2	4.1	3.7	2	2.1	2.2	2.6	3.1	2.8	2.3	2.4
GDP from manufacturing **	15,872	16,967	2,689	4,939	90,479	46,879	2,643	2,598	442	820	184,756
Annual change, %	-3.0	0.3	-3.2	4.6	-2.2	0.8	-4.7	-0.7	5.2	4.3	-1.0
Domestic exports, customs-based, \$ millions	31,554.9	82,113.5	19,432.7	11,561.0	177,228.0	67,254.1	11,160.7	5,299.9	767.1	11,578.9	419,843.5
Annual change, %	-5.7	5.6	2.0	1.4	0.0	-2.6	7.7	4.5	-2.5	21.6	2.1
GDP from retail sales **	9,824	9,291	2,105	2,592	28,065	16,350	1,454	1,807	564	903	72,915
Annual change, %	7.0	9.2	10.2	7.6	4.3	4.8	4.1	2.9	5.6	6.1	5.7
Population, in thousands	4,414.0	3,487.9	1,006.6	1,193.6	12,861.9	7,730.6	751.3	935.6	139.1	508.1	33,143.6
Annual change, %	2.4	3.5	2.1	1.3	1.4	1.0	0.3	0.1	0.4	0.0	1.5
Immigration, number	38,927	20,823	3,515	10,947	111,436	45,224	1,644	2,523	986	541	236,758
Net inter-provincial migration, number	13,385	10,625	10,174	-1,390	-17,762	-14,444	1,100	-546	-237	-694	N/A
Housing starts, number	39,195	48,336	6,007	5,738	68,123	48,553	4,242	4,750	750	2,649	228,243
Annual change, %	7.6	-1.3	61.7	14.1	-7.2	1.4	3.8	-3.0	1.6	18.6	0.4

* Data sources: Statistics Canada

** Preliminary figures

For more information on the economic performance of Western Canada, please visit the WD web site under About Western Canada.

Overall Departmental Performance Against Priorities

WD achieved the following results related to the six departmental priorities for 2007–2008, which in turn contributed to achieving the Department's overall strategic outcomes:

1. Business competitiveness and growth

The WCBSN **improved access to risk capital and business services** to SMEs by providing over 540,000 business services,⁶ and approving 1,407 loans totalling \$65.3M. This support created or maintained 8,742 jobs, and created, maintained or expanded 3,447 businesses.⁷ In addition, 154 loans totalling \$15.76M were approved through the Loan and Investment Program (LI Program), leveraged by \$1.9M in WD contributions, which will create an estimated 444 jobs and generate nearly \$57M in increased sales.

To enhance business productivity and competitiveness, WD supported systemic initiatives such as: \$126,000 for FPInnovations to work with the Wood Products Quality Council to implement the Woodmark Quality System in the forestry sector in BC, which will result in 20 certified companies; \$341,500 for Manitoba Hydro to provide state-of-the-art fuel-testing services for five local bio-diesel producers; and \$2.0M for Canadian Light Source to assist with marketing, with the expected result of attracting 50 new industrial users.

2. Strategic infrastructure investments

Through the delivery of municipal infrastructure programming on behalf of Infrastructure Canada, WD continued to make strategic investments in the economic and business infrastructure of the West, in partnership with public and private sector partners, that support the Department's objectives of economic diversification and small business growth and competitiveness. Project examples include: the upgrades to the Tsulquate wastewater treatment plant, redevelopment of the Shaw Conference Centre in Edmonton, and upgrades to the Town of Maidstone's water supply.

3. Commercialization and value-added production

WD continues to play a key role in supporting the **creation and growth of knowledge-based business clusters** within Western Canada, such as BC's life sciences sector, which utilizes state of the art technology related to genomic (DNA) sequencing to conduct applied research. For example, WD provided funding support to nine BC regional science and technology councils to offer support services to technology entrepreneurs and emerging companies and to promote rural diversification. The combined efforts of these councils will lead to skills enhancement for over 1100 technology-based entrepreneurs in communities outside of the Vancouver metropolitan area.

⁶ Includes information, advisory and training services.

⁷ Self-reported results.

4. International competitiveness and trade

WD continued to support the Asia-Pacific Gateway and Corridor Initiative through a trade commissioner study tour of Western Canada's science and technology capabilities. It is expected that the tour will result in increased business for western Canadian companies in the North Asia, market. WD also supported 35 international business development projects totaling \$468,938 through the US Enhanced Representation Initiative (ERI). Through its participation in the ERI, WD supported eight trade missions to the US in 2007–2008, including two Manitoba trade missions to Denver and Chicago that resulted in over \$1.5M in new business deals.

5. WCBSN accountability, performance reporting, and coordination

Specific measures included: formalizing minimum community accountability standards, establishing minimum performance standards, providing performance measurement training, providing funding to upgrade information technology infrastructure, and expanding video-conferencing capabilities across the West.

6. Modern management agenda

WD continued to improve management practices within the Department. Examples include: the revitalization of the Department's audit and evaluation functions will serve to strengthen accountability; the continued implementation of succession planning, which contributed to the integration of HR and business planning; the identification of eight key risks in the Corporate Risk Profile and the development of an action plan to mitigate those risks, which contributed to the integration of risk assessment with business planning; and the enhancements to Project Gateway, WD's web-based G&C project information system, which has improved information management.

Section IV provides an elaboration of the above improvements to WD management practices; an explanation of lessons learned related to evaluation, audit, performance measurement and stakeholder input; as well as a summary of WD's results with respect to fulfilling obligations under the *Official Languages Act*.

SECTION II – ANALYSIS OF PROGRAM ACTIVITIES BY STRATEGIC OUTCOME

1. Strategic Outcome: A competitive and expanded business sector in Western Canada and a strengthened western Canadian innovation system (Entrepreneurship & Innovation)

The following performance indicators form part of WD's Performance Management Framework and the baseline levels below will serve as a reference point against which the Department will measure future contributions towards Entrepreneurship and Innovation. At the strategic outcome level, WD will not attempt to directly attribute outcomes to departmental efforts; attribution is more direct at the program activity and sub-activity levels. The baseline for Western Canada is compared to Canada as a whole. In future years, WD will report actual outcomes against targets:

Performance Indicator	Data Source	Baseline		Year
		West	Canada	
Real GDP growth	Statistics Canada Cansim	3.2%	2.7%	2007
International Trade: value of exports excluding primary production sectors, \$ millions	Statistics Canada Cansim	\$39,240	\$261,451	2006
R&D intensity: Gross Domestic Expenditures on R&D) as % of GDP	Statistics Canada Cansim	1.2%	2.01%	2004

1.1 Program Activity: Business Development and Entrepreneurship

Expected Result: the *growth* of small businesses in Western Canada and their improved capacity to remain *competitive* in the face of rising global competition.

Business Development and Entrepreneurship involves: enhancing business productivity and competitiveness; supporting trade and investment attraction and penetration of western Canadian technologies, services and value-added products into international markets; encouraging greater industry collaboration; and improving SMEs' access to capital.

The following performance indicators form part of WD's Performance Management Framework and the baseline levels below will serve as a reference point against which the Department will measure future performance in the area of Business Development and Entrepreneurship. The baseline for Western Canada is compared to Canada as a whole:

Performance Indicator	Data Source	Baseline		Year
		West	Canada	
SME revenue (All SME sizes)(Excl. Non-emp), \$million	Statistics Canada Business Register	\$364,427	\$1,123,166	Jan. 2007
SME employment, (All SME sizes) (Excl. Non-employee enterprises)	Statistics Canada Business Register	2,493,300	7,591,100	Jan. 2006
Annual capital amount accessed by SMEs through WD programs ⁸	WD Database	\$81.16 M	Not applicable	2007-08

Financial Resources (\$ thousands)

Planned Spending	Authorities	Actual Spending
\$57,786	\$55,684	\$55,987

Human Resources (FTEs)

Planned	Actual	Difference
131	135	-4

⁸ Includes loans provided by WCBSN members as well as loans provided through the LI Program.

Aggregate Results Achieved

In 2007–2008, WD approved funding of \$18.6M for 46 projects in support of Business Development and Entrepreneurship. The approved funding was distributed across five sub-activities, as illustrated below:



The impact of all Business Development and Entrepreneurship projects approved since April 1, 2005, which is captured through Project Gateway, include: an average client satisfaction rate of 89 per cent with services provided; 273 businesses created, maintained or expanded; 545 companies participating in export and market development initiatives; and 37 partnerships or strategic alliances created.⁹ (Refer to [Table 14](#) in Section III for more detailed impacts.)

Results of evaluations, audits and impact studies

The evaluation of the Community Future Program (CFP) was initiated in 2007–2008 and is still in progress. The final report will be posted to WD's public web site under [Audit and Evaluation](#) in 2008-2009 and will include Business Development and Entrepreneurship; and Community Economic Planning, Development and Adjustment results.

The final report of the Western Diversification Program (WDP) **evaluation**, which will also be posted to WD's public web site shortly, includes results across WD's program activities for the period from 2003 to 2007. According to the evaluation report, Business Development and Entrepreneurship activities represent 24.5 per cent of the expenditures for all activities undertaken through the WDP, and account for 26 per cent of all projects completed.

Sixty-six and one-half per cent of funding recipients agreed that their project had resulted in an increase in the number of successful partnerships and strategic alliances.

With respect to increased participation of western Canadian economies in international markets and the development of successful strategic alliances, key informants reported seeing positive

⁹ Since April 1, 2005, all G&C projects funded by WD have at least one standard performance indicator target at the sub-activity level. These figures reflect the impact of all projects reporting results through to June 25, 2008, excluding core funding of WCBSN members.

changes. However, it was pointed out that the WDP is too small to have made significant changes on its own, and acknowledged that at least some of this increase could be attributed to other economic diversification programs. To key informants, partnership development was also noted to be a core aspect of economic diversification.

Both job and business creation is occurring in WDP funded projects, although potentially at a higher rate than the existing administrative data supports.

The final report of the Women's Enterprise Initiative (WEI) impact assessment reflected the following results over a five-year period ending March 31, 2008.

- **Improve Business Productivity** – Economic return on investment made by WD has been significant: WEI organization generated one person-year of employment from every \$4,246 in operating funding provided. Clients attribute 55 per cent of their current business revenues to the services provided by the WEI. When asked to rate their satisfaction with the WEI business services on a scale of one to five, with five being very satisfied, clients provided an average rating of 4.1, with 75 per cent indicating they are fairly or very satisfied and five per cent indicating they are not at all satisfied. Clients reported that the WEI's wide range of business services have helped them to further develop their business, management and/or personal skills, increased their access to other programs and services, enabled them to network with other entrepreneurs, increased their access to information for decision-making, and encouraged them to start and/or further develop their own business.
- **Access to Capital** - Revenues of the average business receiving loans increased from about \$57K in the year prior to receiving the loan, to \$163K in the first year, and to over \$550K in the fifth year after receiving the loan – approximately \$1.9M in additional revenues over a five-year period. The impact assessment estimates that the 572 loans totalling \$22.9M provided to WEI clients over the five-year period has generated about \$660M in incremental revenues and 8,000 person-years of employment. Of these amounts, clients attributed \$363M in revenues and 4,430 person-years of employment to the services provided by the WEI.

The preliminary report of Francophone Economic Development Organizations (FEDOs) impact assessment reflected the following results over a five-year period ending March 31, 2008.

- **Improved business productivity** – Among 103 client survey respondents, the estimated number of new employees attributable to the FEDOs' services was 145. The level of client satisfaction with all the services provided by the FEDOs was 4.45 on a scale of one to five, where five represents "very satisfied." The impact assessment concludes that, the FEDOs work efficiently, they have gained the confidence of their clients over the years, a large component of their client base is first-time entrepreneurs, and the FEDOs' support accelerates business start-up or expansion.
- **Access to capital** – The impact assessment examined the Economic Development Council for Manitoba Bilingual Municipalities (CDEM) as a case study of access to capital. CDEM provides three sources of capital to its clients. Between February 2001 and May 2008, CDEM assisted 341 businesses access \$41,526,496 in **loans through business services**, which created or maintained 788 jobs. Between January 1999 and October 2007, CDEM provided \$1,454,489 in **direct loans**, which created 98 jobs. WD's initial investment of \$500,000 in this loan fund leveraged

\$11,198,879 in additional financing, representing \$22.40 in leveraged financing for each dollar invested by WD. With respect to the Franco-Manitoban Fund, of which CDEM is a partner together with WD and the Business Development Bank of Canada (BDC), WD loan loss reserve contributions of \$369,560 leveraged \$2,477,800 in loans. CDEM's role is to refer clients to the BDC.

Specific Results Achieved in Support of Departmental Priorities

The Business Development and Entrepreneurship Program Activity contributed to the following departmental priorities:

support for business competitiveness and growth ;
improve international competitiveness and strengthen trade and economic corridors of importance to the West; and
strengthen accountability, transparency, and performance reporting by members of the Western Canada Business Service Network (WCBSN) and improve coordination among WCBSN members and other business and economic organizations.

Business Competitiveness and Growth

The WCBSN **improved access to risk capital and business services to SMEs** by responding to over 466,000 information requests, providing over 47,000 advisory services, training over 28,000 clients, receiving more than 3.3M self-service interactions (automated telephone services and web site visits) and approving 1,407 loans totalling \$65.4M. This support created or maintained 8,742 jobs, and created, maintained or expanded 3,447 businesses. In addition, 154 loans totalling \$15.76M were approved through the LI Program, leveraged by \$1.9M in WD contributions, which will create an estimated 444 jobs and generate nearly \$57M in increased sales. In order to seek additional qualified partners to provide greater access to risk capital for small businesses, in 2007–2008, WD broadly solicited expressions of interest and received several proposals, which it will be considering for funding in 2008–2009.

To enhance business productivity and competitiveness, WD approved funding for several systemic initiatives including:

- FPInnovations - \$126,000 to work with the Wood Products Quality Council to promote and implement the Woodmark Quality System among companies involved in the production of value-added forestry products in British Columbia and Western Canada. This project will result in 20 companies being certified in the Woodmark Quality System of Western Canada.
- **Manitoba Hydro** - \$341,500 to expand the capability of its chemical testing laboratory in Selkirk Manitoba and provide state-of-the-art fuel testing services to Manitoba's bio-diesel industry. The new testing capabilities will benefit five local bio-diesel producers, reducing operating costs and helping to avoid outsourcing fuel testing to other regions.
- Canadian Light Source - \$2M to assist with marketing to attract first-time industrial users. Through the funded business development activities, Canadian Light Source plans to draw 50 new industrial users to the facility, thereby assisting it in reaching its initial target of 10 per cent for industrial utilization in the program's first year.

***International
Competitiveness and
Trade***

Western Canadian stakeholders (companies, industry associations and research institutions) who have participated in the US ERI and other WD-supported international competitiveness initiatives are increasingly seeing positive results, through sales, research agreements and signed contracts. Examples of WD-supported international competitiveness initiatives undertaken in 2007–2008 are provided below:

Asia-Pacific Gateway and Corridor Initiative (APGCI) - In partnership with Foreign Affairs and International Trade Canada (DFAIT) and western provincial governments, WD hosted a study tour of Western Canada, inviting 11 of Canada's federal trade promotion and investment experts working out of Canadian posts in China, Taiwan, Korea and Japan to connect with Canadian science and technology companies. The objective of the study tour was to increase the trade commissioners' awareness of Western Canada's science and technology capabilities to better promote business and investment opportunities between Asia and Western Canada.

In 2007–2008, WD supported a record 35 international business development projects totaling \$468,938 through the US ERI. Through its participation in the ERI, WD plays a vital role in promoting the West's science and technology (S&T) capacities in the US market, and in 2007–2008, 25 of WD's ERI projects addressed the S&T sector. WD also supported eight trade missions to the US in 2007–2008, including two Manitoba trade missions to Denver and Chicago that resulted in over \$1.5M in new business deals. In addition, several companies have made commercial commitments in the Chicago and Denver markets and continue to undertake follow-up development work.

Saskatchewan Trade & Export Partnership Inc. (STEP) - Through the Western Canada Incoming Buyers Program, 209 companies participated in export and market development initiatives, 14 industry association partnerships were created, and 186 incoming buyers were attracted over the past three fiscal years.

A priority in 2007–2008 was to develop an International Competitiveness Strategy for the Department. Significant steps were taken and a final strategy will be released in 2008–2009.

***WCBSN
Accountability,
Performance
Reporting and
Coordination***

To support Western Canada Business Service Network (WCBSN) accountability, transparency, performance reporting and coordination, the following steps were taken:

- **Minimum community accountability standards** were formalized, including: on-line posting of financial statements, board member names, and selection/ appointment process;
- **Minimum performance standards** were established for each of the Network Partner groups;
- **Performance measurement training** was provided to Community Futures organizations;
- Funding was provided to **upgrade information technology infrastructure** in support of continued on-line quarterly performance reporting; and
- **Video-conferencing** capabilities were expanded across the West to allow WCBSN members to more effectively share resources to serve their clients (e.g. video training session).

1.2 Program Activity Name: Innovation

Expected Result: an increase in knowledge-driven and value-added economic activities, built on both traditional and emerging industries that create a more diversified and resilient economy in Western Canada.

Innovation is the translation of knowledge into economic benefits and involves the development, commercialization, and adoption of technology as the primary means to a more diversified economy.

The following performance indicators form part of WD's Performance Management Framework and the baseline levels below will serve as a reference point against which the Department will measure future performance in the area of Innovation. The baseline for Western Canada is compared to Canada as a whole:

Performance Indicator	Data Source	Baseline		Year
		West	Canada	
Total Income From the Commercialization of Intellectual Property, \$ million	Statistics Canada Intellectual Property Commercialization Survey	\$28.55	\$64.6	2006
Business Expenditure on R&D as % of GDP	Statistics Canada Cansim	0.5%	1.0%	2004
Employment in Natural and Applied Science and Related Occupations as a % of Total Employment.	Statistics Canada Cansim	6.5%	6.6%	2006

Financial Resources (\$ thousands)

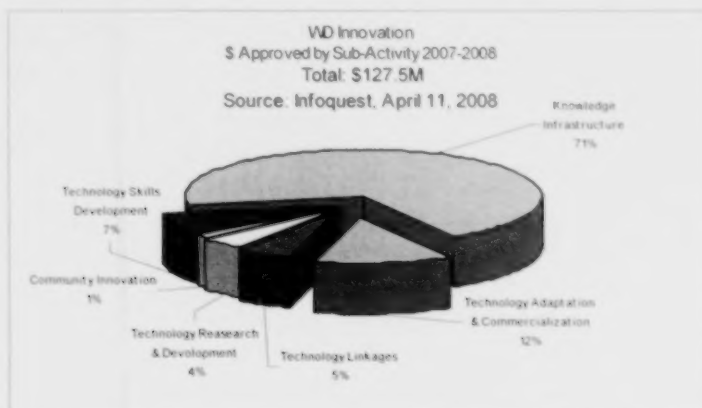
Planned Spending	Authorities	Actual Spending
\$64,696	\$82,520	\$70,065

Human Resources (FTEs)

Planned	Actual	Difference
97	94	3

Aggregate Results Achieved

In 2007–2008, WD approved funding of \$127.5M for 86 projects in support of Innovation. The approved funding was distributed across six sub-activities, as illustrated below¹⁰:



¹⁰ This includes \$49M in federal funding approved for Intervac's Biosafety Level III Containment Facility in Saskatoon, which is positioned within the Knowledge Infrastructure sub-activity. The average WD contribution per Innovation project excluding Intervac was \$914K.

The impact of all Innovation projects approved since April 1, 2005 include: 90 technology demonstrations, 66 partnerships or networks created, and ten physical assets (buildings or equipment) for R&D or training.¹¹ (Refer to [Table 14](#) in Section III for more detailed impacts.)

Results of evaluations, audits and impact studies

According to the final **WDP evaluation** report, Innovation-related activities represented 34.1 per cent of the expenditures for all activities undertaken by the WDP. Innovation-related activities accounted for 30.0 per cent of all projects completed.

Forty-seven point one per cent of the survey recipients expressed that the project they had participated in had resulted in increased productivity and 55.6 per cent felt that the project had enhanced education, training or skills development.

Key informants expressed the opinion that the WDP has a strong focus and a long-term interest in innovation, and that results in the area of innovation have already been demonstrated. These results include partnerships with universities, and work in the fields of life sciences, fuel cells, nanotechnology, health, environment, information and communication technologies (ICT), and wireless technologies. This success is attributed to strengths of the WDP model, which allow for the flexibility to support infrastructure and support services aimed at innovation, strong work with not-for-profits and other organizations, and core funding for technology linkages.

Specific Results Achieved in Support of Departmental Priorities/ the Program Activity

The Innovation Program Activity contributed to the following departmental priority:

greater emphasis on supporting commercialization and value-added production
--

Commercialization and Value-Added Production

WD continues to play a key role in the development of BC's life sciences sector. WD has enabled key stakeholders, including Genome BC, the BC Cancer Foundation and the BC Cancer Agency, to acquire state of the art technology related to genomic (DNA) sequencing to conduct applied research, leading to the development of new and improved treatments for cancer. As the life sciences cluster has matured, WD's efforts are evolving to support the commercialization of new technology. For example, WD support to key health research organizations such as the Centre for Drug Research and Development has facilitated the development of a commercialization pipeline for pharmaceutical compounds and attracted other resources such as funding under the federal Centre for Excellence in Commercialization and Research program. (The [Impact study of WD's investments in Western Canada's life sciences cluster](#) referenced in DPR 2006–2007 is now posted to WD's web site.)

The following demonstrates WD's investments in Innovation priorities areas of technology commercialization and adoption, rural innovation, and technology skills development:

¹¹ Impacts reflect projects reporting results through to June 25, 2008.

Technology Adoption and Commercialization

iRSM Dental Implant Manager Pilot – In 2003-2004, WD approved \$975,000 to support the commercialization of Caritas Health Group's Implant Manager, a dental implant management system, which was created through the collaborative efforts of a surgical research team (the Institute for Reconstructive Sciences in Medicine or iRSM, previously known as COMPRU) and an Alberta-based software development company. Implant Manager enables clinicians to view three-dimensional images of implants prior to surgery, and acts as an effective tool in educating patients and their families about the procedures. The development, demonstration and testing phases included piloting the technology at 10 sites in six countries. Implant Manager has attracted international attention and the project proponents are now exploring commercialization opportunities.

St. Boniface General Hospital – In 2004-2005, WD approved \$390,000 of \$440,000 in total project costs to create a 4600 sq. ft. business incubator space on the first floor of the Asper Clinical Research Institute. The facility has enabled two companies to mature, access venture capital and graduate to other locations in Winnipeg due to growth of the businesses. Both companies, Monteris (a unique MRI-guided, focused Laser Interstitial Thermal Therapy, which is used in the treatment of previously inoperable tumours) and Intelligent Hospital Systems Inc. (a robotic system that automates the preparation of IV solutions in bags and syringes) are founded on technologies developed at the St. Boniface General Hospital Research Centre. Both have seen growth in employment and sales, and are connected to the US market.

Rural Innovation (in support of rural diversification)

BC Regional Science and Technology Councils – In 2007-2008, WD approved \$859,709 of total project costs of \$1.040M for nine S&T councils located outside of the Vancouver metropolitan area to provide specialized "Linx" support services over two years to technology entrepreneurs and emerging companies to facilitate their growth. The Linx services include: business mentoring, networking, human resources, and training in financial strategies. The Regional S&T Councils are non-profit organizations that support the growth of the technology industry in rural BC and are connected through the BC Regional Science and Technology Network (BCRSTN). The combined efforts of these councils will lead to skills enhancement for over 1100 technology-based entrepreneurs in communities outside of the Vancouver metropolitan area.

Alberta Terrestrial Imaging Centre (ATIC) – In 2005-2006, WD approved \$1.8M of \$8.3M in total project costs to help establish the ATIC, a non-profit joint venture between University of Lethbridge and Lunctus Geomatics Corp., located in Lethbridge, Alberta. In a subsequent project in 2006-2007, WD approved \$933K of \$2.12M in total project costs to assist ATIC in acquiring specialized equipment to conduct research into the use of satellite images in a wide variety of areas such as resource management, energy, homeland security, emergency response, and global climate change. ATIC will also provide historic and new satellite images for research purposes to research institutions throughout North America, and is now recognized nationally for leadership in the area of satellite imagery. ATIC created ten jobs in two years through these projects.

Petroleum Technology Research Centre (PTRC) - In 2003-2004, WD approved \$1M of a \$10M project to support the PTRC in Regina, Saskatchewan, to undertake the following

research: enhance competitiveness of oil and natural gas resources; encourage incremental industry investment; reduce the industry's greenhouse gas intensity and other environmental consequences; develop the next generation of oil production technologies for recovery of heavy oil; enhance collaboration among industry, universities and government; support training; and encourage industry's adoption of new technologies. The project attracted incremental industry funding of \$963K and resulted in six new technologies commercialized. The direct impact of this work occurs in rural areas where petroleum is extracted.

Technology Skills

Alliance of Manufacturers and Exporters Canada - In partnership with the Province of Manitoba, in 2007–2008, WD approved \$1.1M of the \$4.0M total project costs in the Advanced Manufacturing Initiative (AMI) project, delivered by the Manitoba division of the Canadian Manufacturers and Exporters of Canada. This initiative has a multi-pronged approach to provide the manufacturing community with lean expertise and knowledge to improve productivity and develop skills that will assist companies to become internationally competitive. AMI will focus on programs for human resources and lean manufacturing awareness. This initiative will result in an increase in training, education and skills building of highly qualified people.

2. Strategic Outcome: Economically viable communities in Western Canada with a high quality of life (Community Economic Development)

The following performance indicators form part of WD's Performance Management Framework and the baseline levels below will serve as a reference point against which the Department will measure future contributions towards Community Economic Development. The baseline for Western Canada is compared to Canada as a whole:

Performance Indicator	Data Source	Baseline		Year
		West	Canada	
Disposable income per capita	Statistics Canada Cansim database	\$27,175	\$25,623	2006
Labour productivity growth – real GDP per hour worked	Statistics Canada Cansim database	2.3%	2.11%	2005

2.1 Program Activity: Community Economic Planning, Development and Adjustment

Expected Result: to ensure strong and viable communities in urban and rural areas of Western Canada capable of responding to challenges that hinder competitiveness, opportunities, and quality of life.

Community Economic Planning, Development and Adjustment involves economic development and diversification initiatives and coordination activities that allow communities to sustain their economies, and adjust to changing and often very challenging economic circumstances. It includes facilitating economic recovery from depressed economic circumstances, working with community organizations to carry out Aboriginal economic development, and other community economic development initiatives.

The following performance indicators form part of WD's Performance Management Framework and the baseline levels will serve as a reference point against which the Department will measure

future performance in the area of Community Economic Planning, Development and Adjustment. The baseline for Western Canada is compared to Canada as a whole:

Performance Indicator	Data Source	Baseline		Year
		West	Canada	
Employment: # of new jobs created (000)	CBOC Provincial Outlook	166.1	314	2006
Net migration rate - international and domestic ¹²	CBOC Provincial Outlook/ StatsCan	118,553	254,359	2006

Financial Resources (\$ thousands)

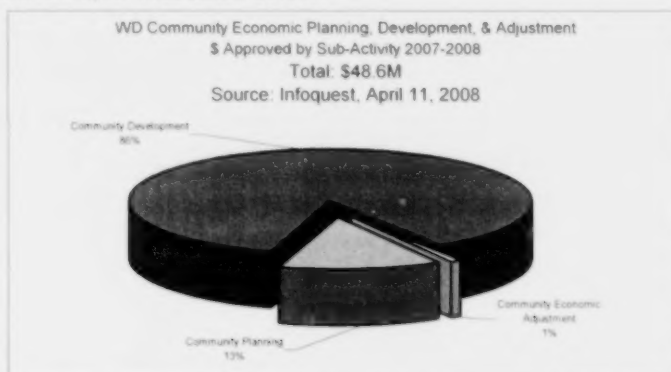
Planned Spending	Authorities	Actual Spending
\$103,952	\$122,719	\$74,153

Human Resources (FTEs)

Planned	Actual ¹³	Difference
52	65	-13

Aggregate Results Achieved

In 2007–2008, WD approved funding of \$48.6M for 58 projects in support of Community Economic Planning, Development and Adjustment. The approved funding was distributed across three sub-activities, as illustrated below:



The impact of all Community Economic Planning, Development and Adjustment projects approved since April 1, 2005 include: 101 activities providing planning leadership and expertise; 96 partnerships created or maintained; 934 instances of increased capacity in community organizations; 132 enhanced community services or facilities; 2,887 people trained; and 138 businesses created, maintained or expanded.¹⁴ (Refer to [Table 14](#) in Section III for more detailed impacts.)

Results of evaluations, audits and impact studies

According to the final **WDP evaluation** report, Community Economic Planning, Development and Adjustment activities represented 41 per cent of the WDP expenditures and accounted for 43.5 per cent of all WDP projects. This represents the majority of both projects and expenditures undertaken through the WDP at the time of the evaluation.

Survey recipients generally agreed that the work in which they had participated had increased viability and diversification of the local economies (69.9 per cent) and contributed to enhanced

¹² The national figure represents immigration to Canada only.

¹³ Increase in FTE is primarily due to the funding recorded for the delivery of the CEDI.

¹⁴ Impacts reflect projects reporting results through to June 25, 2008, excluding core funding of WCBSN members.

community planning (68.3 per cent). Examples of activities undertaken by projects that have community economic related outcomes include strengthened networks and partnerships with schools, building new and/or refurbished facilities, installing new service hook-ups, and enhancing tourism activities.

Key informants generally agreed that community economic development has been well addressed in the WDP model. Ways in which the model was said to have addressed community economic development was through the Saskatchewan Northern Development Agreement, the Urban Development Agreements, and through work in rural areas and with Aboriginal communities.

Despite work in rural and Aboriginal communities, key informants noted that these communities present challenges to the community economic development aspect of the WDP model, as it can be difficult to locate an organization with the capacity to handle WDP funding. Key informants expressed the need for a clear definition of what community economic development means, given that some communities are not going to be sustainable

The preliminary report of the **FEDOs impact assessment** reflected the following results.

- **Community Planning** - FEDOs play an important direct support role in community economic planning and project implementation at various levels: supporting the creation of a local project with local economic impacts, linking activities which create community impetus for change, or complex planning in towns and villages, which brings together diverse stakeholders.
- **Community Development** - The presence of a francophone community is perceived to be an economic advantage by the broader community. Community “branding” exercises have had multiple impacts, which have endured for many years. With the support of the FEDOs, the communities have recognized the importance of regional development versus a local approach only. Strategic planning activities have created a sense of optimism in the communities, provided there has been follow-up.

Specific Results Achieved in Support of the Program Activity – Mountain Pine Beetle Initiative

In January 2007, the federal government allocated \$33M to a Community Economic Diversification Initiative (CEDI) and \$19.4M to an Airport Improvement Initiative within a \$200M Mountain Pine Beetle Program (MPBP). In 2007–2008, WD approved funding of \$1.04M towards five CEDI projects and \$12.35M towards runway extensions at the Prince George and Kelowna airports. This represents the initial wave of MPBP project approvals, which will have a significant impact over the next several fiscal years. Three CEDI projects are highlighted below:

In British Columbia, WD funding of \$100,000 to the CFDC of Cariboo-Chilcotin, helped develop a strategic plan for the Cariboo-Chilcotin Beetle Action Coalition (C-CBAC). While drawing attention to the significant economic and social impact of the mountain pine beetle, the coalition established a model for community collaboration and action to address these impacts. The C-CBAC continues to lead efforts to address impacts and has recently completed a series of economic sector strategies aimed at addressing impacts. Due to the plan that was developed, the C-CBAC recently accessed \$1.3M from the BC government to further develop their opportunity analysis.

The Mountain Pine Beetle-Community Economic Development Initiative (MPB-CEDI) provided \$150,000 in funding to the Quesnel Community and Economic Development Corporation for a bio-refinery feasibility study. A bio-energy project could utilize damaged wood fibre and other bio-resources available as a result of the mountain pine beetle infestation. This early stage MPB-CEDI project is the first in a number of projects advancing knowledge of diversification options for communities impacted by the infestation. Further projects are currently under consideration.

Through the MPB-CEDI, WD funding of \$50,000 supported the Northern Development Initiative Trust (NDIT) to undertake a Northwest Trade and Manufacturing Corridor Opportunity Study to identify the competitive advantages of this corridor as it relates to global manufacturing, and to attract investment in manufacturing and related opportunities to the region. The provinces of British Columbia and Alberta, CN Rail, Port of Prince Rupert, Prince George Airport Authority, Alcan, Maher Terminals, West Fraser Timber, Canfor, Initiatives Prince George, and the Edmonton Economic Development Commission also supported the project.

2.2 Program Activity: Infrastructure

Expected Result: to improve and expand sustainable public infrastructure that enhances the quality of the environment and allows for long-term economic growth.

This program activity provides public infrastructure funding in Western Canada to meet the Government of Canada's commitment to growth and the quality of life of all Canadians. This program activity will renew and build infrastructure in rural and urban municipalities across Canada allowing them to compete in the regional, national and global economy. WD delivers infrastructure programming in partnership with Infrastructure Canada (INFC) and the four western provincial governments.

WD's Performance Management Framework reflects the impact of the Infrastructure at the program activity level in terms federal funding approved for infrastructure projects and additional funding leveraged. Both of these values were \$0 in 2007–2008 because the Infrastructure Canada Program (ICP) is winding down. In future years, WD will continue to report the on-going benefits realized by municipalities as a result of these infrastructure investments at the sub-activity level.

Financial Resources (\$ thousands)¹⁵

Planned Spending	Authorities	Actual Spending
\$29,946	\$52,747	\$36,505

Human Resources (FTEs)

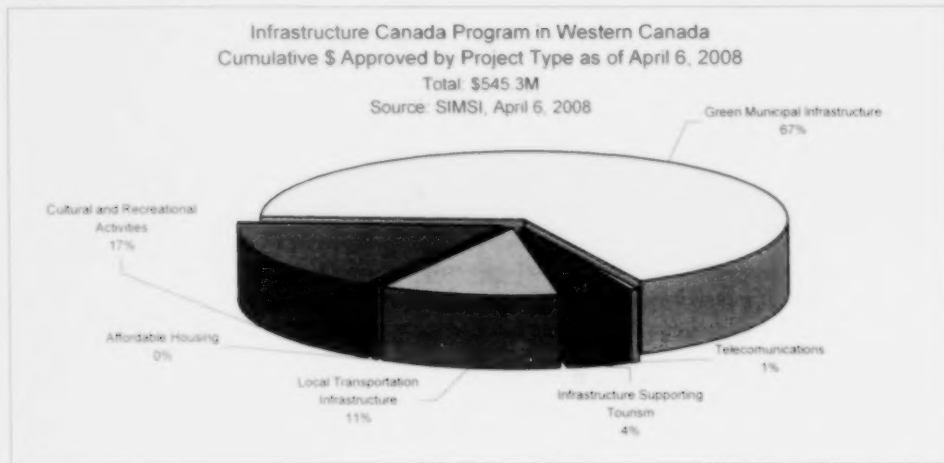
Planned	Actual	Difference
16	16	0

Aggregate Results Achieved

During 2007–2008, WD continued to deliver the ICP in Western Canada. As of March 31, 2008, approximately 98 per cent of the total federal funding of \$546M had been committed towards 1,622 infrastructure projects across the West. While all project approvals were decided by June 2005, the program was extended until March 31, 2011 to allow the construction of all

¹⁵ Planned and Actual Spending to not include G&C resources administered by WD on behalf of INFC (MRIF, CSIF) as this amount (approx. \$216.6M in actual spending) is reported by INFC.

projects to be completed and benefits reported. The approved funding was distributed across six project types, as illustrated below:



The impact of all ICP projects approved since program inception include: 587,275 households with improved potable water quality; 198,806 households with improved wastewater treatment; 277 road and local transportation infrastructure improvements; and 290 communities benefiting from cultural, recreation and tourism facilities.¹⁶ (Refer to [Table 14](#) in Section III for more detailed impacts.)

WD also administers the [Municipal Rural Infrastructure Fund \(MRIF\)](#) in each western province on behalf of INFC, as well as a number of [Canada Strategic Infrastructure Fund \(CSIF\)](#) projects in the West. G&C funding for MRIF and CSIF (\$216.6M in actual spending in 2007–2008) is provided through INFC's appropriation and details on these program results are found in INFC's Departmental Performance Report.

Specific Results Achieved in Support of Departmental Priorities

The Infrastructure Program Activity contributed to the following departmental priority:

improve **linkages between strategic infrastructure investments and economic development initiatives**

The delivery of infrastructure programming is an important role that WD plays in supporting the western Canadian economy. There are often direct and indirect linkages between strategic infrastructure investments and economic development initiatives. Some examples of ICP projects completed in 2007–2008 include:

***Strategic
Infrastructure
Investments***

In BC, WD contributed \$1.078M towards improving the wastewater management capabilities within the District of Port Hardy through the following project: upgrades to the Tsulquate Wastewater Treatment Plant (WWTP), and extension of the Tsulquate WWTP outfall. The project increased the capacity of

¹⁶ Impacts reflect projects reporting benefits from October 2000 to March 31, 2008.

the wastewater treatment plant and improved the water quality, which will support the future growth plans for the community, particularly the restoration of historical shellfish harvesting areas.

In **Alberta**, WD contributed \$7M towards the construction of 26,900 sq. ft. of exhibition hall space and the redevelopment of 28,400 sq. ft. of existing space in the Shaw Conference Centre in Edmonton. The project, approved in March 2003 and completed in 2007, directly created 300 permanent jobs. There was also an estimated \$10.73M increase in private sector capital investment or economic activity in the community as a result of this project.¹⁷

In **Saskatchewan**, WD contributed \$604,526 towards the location of a new water source, pipeline and upgrades to the Town of Maidstone's water supply system. This project allowed the town to develop new residential subdivisions to ensure the workers in the oil industry were able to live and work in the same area.

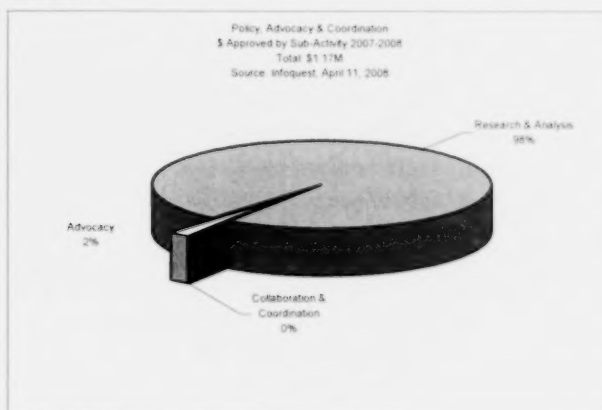
Virtually all ICP projects in **Manitoba** were completed prior to the 2007–2008 fiscal year.

3. Strategic Outcome: Policies and programs that support the development of Western Canada (Policy, Advocacy and Coordination)

The following performance indicators form part of WD's Performance Management Framework and the outcomes below reflect the Department's contributions towards Policy, Advocacy and Coordination:

Performance Indicator	Data Source	Outcome	Date
\$'s WD project funding plus \$'s leveraged	WD Database	\$489.991	2007–2008
% of projects completed that met or exceeded performance expectations	WD Database	86.4%	2005–2008

In 2007–2008, WD approved funding of \$1.17M for seven projects in support of Policy, Advocacy and Coordination. The approved funding was distributed across three program activities, as illustrated below:



¹⁷ Private sector capital investment figure is based upon a Pricewaterhouse Coopers study completed in January 1999 and relates to the period of 1998-2004.

The impact of all projects reporting results under the Policy, Advocacy & Coordination strategic outcome from April 1, 2005 are included in Table 14 in Section III.

Results of evaluations, audits and impact studies

According to the results of the **WDP evaluation** file review, economic research projects undertaken through WDP resulted in increased awareness and understanding of western issues. Some of the results were used in policy decisions such as being referenced in the Department's visioning exercise. Case study respondents also spoke positively about WDP activities leading to awareness and dialogue about western issues.

Findings from the file review and the case studies supported the views of key informants that improved coordination of federal economic activities has occurred as a result of the WDP. In the opinion of key informants, improved awareness and understanding of western issues can be attributed to the work of the WDP, including relationship, advocacy, and capacity building. In this respect, most key informants believe the WDP has played a substantial role in increased dialogue among federal departments, between the federal and provincial levels of government, and the federal government and local communities.

3.1 Program Activity: Collaboration and Coordination

Expected Result: better coordinated economic development activities and programs in the West.

This program activity involves bringing people, ideas, communities and resources together in order to plan or precipitate actions that result in the development and/or diversification of the western economy. This may involve the process of policy and program development to leverage resources and address economic challenges or exploit economic opportunities.

The following performance indicators form part of WD's Performance Management Framework and the outcomes below reflect the Department's performance in the area of Collaboration and Coordination in 2007–2008:

Performance Indicator	Data Source	Outcome	Date
\$'s leveraged for projects funded per fiscal year from all WD programs (\$ leveraged per WD \$)	WD Database	\$1.53	2007–2008
\$ value of project funding provided under interdepartmental agreements to which WD was a party ¹⁸	WD Database	\$30.922 million	2007–2008

Financial Resources (\$ thousands)

Planned Spending	Authorities	Actual Spending
\$5,885	\$6,082	\$4,475

Human Resources (FTEs)

Planned	Actual	Difference
40	37	3

Specific Results Achieved in Support of Departmental Priorities

This program activity contributed to all departmental priorities.

Outputs

WD regional offices in both Manitoba and BC provided a coordinating role regarding federal responses to potential floods. Each spring in Manitoba, WD and Public Safety Canada chair an

¹⁸ Includes WEPA and UDA G&C expenditures.

interdepartmental working group comprised of departments who have information or services to provide in a situation of potential flooding. The group looks at potential risks, conducts pre-emptive analysis, prepares strategies and briefs ministers to ensure there is a coordinated federal response to flood issues. In BC, the flood response actions and tracking were in relation to an episodic set of factors that indicated flood potential.

WD coordinated a **Ministers' Forum** comprised of ministers from WD and seven provincial departments responsible for science and technology, and economic development in Western Canada, which took place in April 2008. Although WD has organized regular meetings among deputy and assistant deputy ministers from these departments over the past nine years, this was an occasion for ministers from the two orders of government to discuss challenges and opportunities for increased collaboration with a focus on science and technology, productivity and competitiveness, and trade gateways and corridors.

In January 2008, WD successfully planned, coordinated and implemented a **Pacific Northwest Economic Region (PNWER) tour** in Ottawa. The PNWER delegation met with the Prime Minister, seven federal ministers in key departments, the Ambassador of the United States to Canada, the Prime Minister's Chief of Staff, and senior departmental officials, to advocate for federal support for key PNWER and western Canadian economic priorities, particularly in the areas of border issues related to promoting greater regional economic collaboration, energy, the 2010 Olympics, and economic links with Asia-Pacific.

The Department played a key role in organizing a water workshop, *Navigating the Rapids*, through the **Alberta Federal Council (AFC)**; this workshop also reinvigorated the Prairie Water Group. Furthermore, WD lead the organization of *oXYgen - Breathing New Life into the Federal Public Service*, which brought together new/ young public servants in Alberta to encourage the formation of a professional network and provide feedback/ recommendations to AFC and its member departments on renewal and retention initiatives.

Outcomes

In Saskatchewan, WD provided a conditional grant of \$15M, which leveraged \$4.5M from the Province of Saskatchewan, to the Primrose Lake Economic Development Corporation to create a trust fund in support of a stronger, more diversified and sustainable economy in the Primrose Lake area of northwest Saskatchewan. WD played an important coordinating role working with community representatives, the provincial government and other federal departments to identify a workable delivery model. One lesson learned through this process was that communities do not always have the capacity to develop and deliver initiatives such as a trust fund and that considerable time and effort may be required to enable the community to participate effectively.

3.2 Program Activity: Advocacy

Expected Result: an improved understanding and awareness of western issues by federal policy makers and increased access to and participation in federal programs by the region.

This program activity is concerned with advancing the interests of Western Canada in national economic policy, program and project development and implementation. Examples of advocacy

activity include: providing input into Cabinet submissions, establishing and participating in western-based consultation forums, advocating in support of specific regional projects or issues, and engaging western Canadian stakeholders in the development and implementation of national priorities. This program activity may also involve the Department advocating federal government priorities in its dealings with provincial governments, industry and institutions in Western Canada.

Beginning in 2008–2009, WD will survey key informants to evaluate the extent to which the Department is achieving its expected results through Advocacy. The results of these surveys will be reported in DPR 2008–2009.

Financial Resources (\$ thousands)

Planned Spending	Authorities	Actual Spending¹⁹
\$2,660	\$2,862	\$3,223

Human Resources (FTEs)

Planned	Actual	Difference
20	27	-7

Specific Results Achieved in Support of Departmental Priorities

This program activity contributed to all departmental priorities.

In 2007–2008, WD's priorities under this Program Activity were to advocate on behalf of western Canadians regarding:

- trade and investment activities related to the federal government's Global Commerce Strategy;
- R&D and technology commercialization; and
- Asia-Pacific trade and economic opportunities.

WD updated its Advocacy Strategy in 2007–2008, clearly setting out departmental advocacy roles and responsibilities, advocacy messages, target audiences and priority issues. The update produced WD's current approach to advocacy, whereby assistant deputy ministers champion a limited number of key advocacy priorities over a fiscal year. (In 2008–2009, the priorities are Asia-Pacific Gateway and Corridor Initiative, Science and Technology, Inland Ports and Corridors, Procurement/ Industrial and Regional Benefits, and Foreign Trade Zones.)

Trade and Investment

Defense Procurement Market Opportunities - WD advocacy efforts in support of the federal government's Industrial Regional Benefits (IRB) Policy and the "Canada First Defence Strategy", have helped to ensure that western Canadian companies and capabilities are better known by global prime contractors and their suppliers. In order to develop these important relationships, WD led a delegation of 17 western Canadian aerospace and defence companies on supplier development missions to Boeing in St. Louis, Missouri and to Lockheed Martin in Marietta, Georgia. WD also led several other major prime contractors on pan-western tours of western Canadian shipbuilding, defence and security companies.

WD played a key role in introducing western Canadian companies to the US Department of Defence's Comparative Testing Office, as they searched for new and enhanced technical

¹⁹ The negative variance between Authorities and Actual Spending of \$361,000 is covered by the surplus variance against the Research and Analysis program activity.

capabilities. In collaboration with the Department of National Defence, WD led officials from the US Department of Defence in visits with western Canadian companies in Calgary, Alberta and Vancouver, BC

WD was successful in encouraging Western Canada's four provincial aerospace industry associations to sign a Memorandum of Understanding, thereby identifying themselves as the Western Aerospace Alliance (WAA). With this new structure, the WAA will work cooperatively to enhance industry growth and diversification by making western Canadian firms more competitive through technology and knowledge transfer among private sector stakeholders.

Canada-US Commerce - As a result of WD's advocacy efforts related to encouraging international commerce between Manitoba and the neighbouring US states of Minnesota, Wisconsin and the Dakotas, an initiative is currently under development to explore and strengthen linkages across this cross-border economic region. A US/Canada Bi-National Economic Summit is planned for October 2008, that will focus on three principle areas of bi-national co-operation: business and industry linkages, university-based research, and technology transfer and commercialization.

Research and Development, and Technology Commercialization

Canadian Light Source Inc. (CLS) - The CLS is one of the largest scientific facilities in Canada and one of the world's most advanced synchrotrons. It is positioning itself to become one of Canada's leading partners in generators of economic and social benefits through scientific discovery in a wide variety of fields including nanotechnology, advanced materials, environmental research, and medical science. Sourcing necessary operating funding for a major science centre such as CLS is a challenge. Advocacy work by CLS, WD, and others resulted in CLS receiving additional operating funding of \$10M for the next two years in Budget 2008.

Asia-Pacific Trade and Economic Opportunities

Mid-Continent Corridor - WD and the Manitoba government are supporting an economic impact assessment of Manitoba's transportation, logistics, and infrastructure that connect the Asia-Pacific Gateway and western trade corridors through Winnipeg to the mid-continent corridor. Following this assessment, a strategic plan will be produced to guide the development of Manitoba's international gateway.

Port Alberta - WD is working in partnership with Edmonton Airports, the Edmonton Economic Development Corporation, the Edmonton Chamber of Commerce, the Province of Alberta, and the City of Edmonton to explore potential opportunities associated with the Asia-Pacific Gateway and Corridor Initiative, including the development of Port Alberta as a major North American warehousing, distribution, manufacturing, and multi-modal transportation hub. WD is contributing \$1.5M towards the development of a Port Alberta strategic plan, as well as \$760K towards the research and design of two key components: the logistics support centre and the SmartPort information technology platform.

Other

Economic Development for Forestry Communities - WD's advocacy work can help ensure an appropriate federal action to assist regional industries and communities experiencing hardship. For example, in January 2007, the federal government allocated \$33M to a Community Economic Diversification Initiative (CEDI) within a \$200M Mountain Pine Beetle Program

(MPBP). CEDI was in part modeled on WD's experience in advocating for and delivering the Softwood Industry and Community Economic Adjustment Initiative (SICEAI) in Western Canada, which ran from October 2002 to March 2005. WD administers CEDI and has received over 500 expressions of interest from community organizations with ideas to help diversify the economic foundation of their local community. The most promising of these proposals are being developed into detailed funding proposals. The federal government also allocated \$19.4M to an **Airport Improvement Initiative** as an additional component under the MPBP, which supports airport improvements in communities impacted by the pine beetle infestation.

This past year, WD advocated for community economic development initiatives to help transform the local economies of Western Canada's forestry communities. The federal government responded by establishing the Community Development Trust to provide up to \$1B for provincial and territorial initiatives to assist workers and communities. The BC government is using its share funding (\$129M) from the trust to help its forestry communities.

3.3 Program Activity: Research and Analysis

Expected Result: an enhanced dialogue around and understanding of western issues, challenges, opportunities and priorities.

This program activity may include externally-generated research or in-house research and analysis involving economic overviews, environmental scans, analysis of federal or other government documents and industrial sector or issue analysis that supports departmental policy, planning or program development. It includes external consultation on key economic issues or opportunities facing Western Canada with leaders from both the private and public sectors.

The following performance indicators form part of WD's Performance Management Framework and the outcomes below reflect the Department's performance in the area of Research and Analysis in 2007–2008:

Performance Indicator	Data Source	Outcome	Date
# of spokesperson and media references to WD economic research and analysis	WD Database	5	2007–2008
# publications resulting from WD-supported economic or policy research projects	WD Database	7	2007–2008

Financial Resources (\$ thousands)

Planned Spending	Authorities	Actual Spending
\$4,157	\$4,109	\$2,752

Human Resources (FTEs)

Planned	Actual	Difference
28	21	7

Specific Results Achieved in Support of Departmental Priorities

This program activity contributed to all departmental priorities.

Outputs

Examples of specific projects initiated in 2007–2008 include:

WD contributed \$750,000 to a three-year project with the Canada West Foundation called, Going for Gold, which will examine the West's economic standing through a series of research papers from key economic thinkers, provincial research roundtables, and public opinion and

expert surveys, and make recommendations to ensure Western Canada maintains long-term success in the global economy. The project will conclude with a seminal conference in Vancouver in the Fall of 2009, that will bring together the top thinkers from around the world to explore best practices in economic development policy in industrialized countries.

Canada West Foundation (CWF) skills and labour research - The Pacific Federal Council's (PFC) Strategic Analysis and Policy Committee co-funded a joint study with the Alberta Federal Council (AFC) to look at the labour market situation in Alberta and BC, and how it might affect the federal government's efforts under Public Service Renewal. The CWF (Dr. Roslyn Kunin) was contracted to complete the study; she presented her findings and nine recommendations to the PFC in April 2008, and will make a similar presentation to the AFC at a future date.

Working with the Western Centre for Economic Research at the University of Alberta, WD hired two students through a **Trade Policy Fellowship** pilot project. The objectives were two-fold: to undertake research related to trade and investment, and to support public service renewal component by raising our profile among students at the university who may subsequently be interested in a career with the Department.

Outcomes

The following WD-supported research also yielded useful insights into Western Canada:

Building Saskatchewan's Bio-economy: A Life Sciences Strategy - In 2006–2007, WD, along with Saskatoon Regional Economic Development Authority (SREDA), Saskatchewan Ministry of Industry and Resources, Saskatchewan Ministry of Agriculture and Food, and Industry Canada co-funded a project to develop a meaningful strategic plan to accelerate the growth of Saskatchewan's life sciences industry, attract new companies to the province and build on the province's comparative advantage in this area. There was considerable media coverage of the report's release. The proponent has received additional financial support to implement some of the recommendations in the report and attributes a number of outcomes, such as the attraction of three new business investments to Saskatchewan, to the report. This study also clearly demonstrated that by working collaboratively with other federal departments, WD could avoid duplication and overlap and reduce reporting requirements for the client.

State of the West 2008 is the final product of the NEXT West project, a three-year project undertaken by the Canada West Foundation with funding support from WD, which engaged western Canadians from across the spectrum to generate and debate public policy strategies best able to promote economic prosperity and quality of life in the region, over the long-term. The report addresses two questions simultaneously: to what extent do the four western provinces differ, and to what extent do they reflect common regional features and trends? The report provides a rich set of data on historical trends in 14 key demographic and economic domains. The findings provide detailed information about the individual western provinces, the region as a whole, how the region has changed, and how it compares to the other parts of the country. The media covered the release of the document extensively with more than 23 stories the day after release and ongoing references to the findings in sources ranging from the Canadian Mining Journal to Canada Watch – a virtual network for Canadians and friends of Canada in the US.

Brandon Development Strategy - WD approved funding of \$119,970 in 2001–2002 for Economic Development Brandon, which contracted Corporate Affairs International to develop a plan that "provides the Greater Brandon Area with a clear vision and strategy to guide its

activities over the next 20 years, and a 5-year action plan that, if implemented effectively, will retain the region's core community values and prepare it for a promising socio-economic future." As a result, the City of Brandon has experienced strong economic growth over the last six to seven years.

SECTION III – SUPPLEMENTARY INFORMATION

Departmental Link to Government of Canada Outcome Areas

(\$ thousands)	Actual Spending 2007–2008			Alignment to Government of Canada Outcome Area
	Budgetary	Non-budgetary	Total	
Strategic Outcome: Policies and programs that support the development of Western Canada (Policy, Advocacy and Coordination)				
Collaboration and Coordination	\$4,475	-	\$4,475	Strong Economic Growth
Advocacy	\$3,223	-	\$3,223	Strong Economic Growth
Research and Analysis	\$2,752		\$2,752	Strong Economic Growth
Strategic Outcome: Economically viable communities in Western Canada with a high quality of life (Community Economic Development)				
Community Economic Planning, Development and Adjustment	\$74,153	-	\$74,153	Strong Economic Growth
Infrastructure	\$36,505	-	\$36,505	Strong Economic Growth
Strategic Outcome: A competitive and expanded business sector in Western Canada and a strengthened western Canadian innovation system (Entrepreneurship and Innovation)				
Business Development and Entrepreneurship	\$55,987	-	\$55,987	Strong Economic Growth
Innovation	\$70,065	-	\$70,065	An Innovative and Knowledge-based economy
Total	\$247,160	-	\$247,160	

Collaboration and Coordination, Advocacy, Research and Analysis, Community Economic Planning, Development and Adjustment, Infrastructure, and Business Development and Entrepreneurship program activities contribute to the achievement of the Government of Canada's "Strong Economic Growth" outcome.

Innovation contributes to the achievement of the Government of Canada's "*An Innovative and Knowledge-based Economy*" outcome.

**Table 1: Comparison of Planned Spending to Actual Spending
(including Full-time Equivalents)**

(S thousands)	2005-2006 Actual	2006-2007 Actual	2007-2008			
			Main Estimates	Planned Spending	Total ²⁰ Authorities	Actual ²¹
Collaboration and Coordination	4,805	4,645	5,885	5,885	6,082	4,475
Research and Analysis	2,912	2,758	4,157	4,157	4,109	2,752
Advocacy	3,414	3,272	2,660	2,660	2,862	3,223
Community Economic Planning, Development and Adjustment	54,655	108,407	101,452	103,952	122,719	74,153
Infrastructure	143,453	86,417	29,946	29,946	52,747	36,505
Business Development and Entrepreneurship	55,018	75,181	53,777	57,786	55,684	55,987
Innovation	42,392	58,329	55,333	64,696	82,520	70,065
Total	306,649	339,009	253,210	269,082	326,723	247,160
Less: Non-respendable revenue	8,641	7,143	-	2,200	-	8,811
Plus: Cost of services received without charge	4,479	4,699	-	4,161	-	4,586
Total Departmental Spending	302,487	336,565	253,210	271,043	326,723	242,935
Full-time Equivalents	379	392	384	384	393	395

Table 2: Voted and Statutory Items

Vote or Statutory Item (\$000s)	Truncated Vote or Statutory Wording	2007-2008			
		Main Estimates	Planned Spending	Total Authorities	Actual
1	Operating expenditures	42,527	46,569	50,707	45,018
5	Grants and contributions	205,495	217,325	270,983	197,120
(S)	Contributions to employee benefit plans	5,188	5,188	5,017	5,016
(S)	Collection Agency Fees + Spending of Proceeds from disposal of Surplus Crown Assets	-	-	16	6
	Total	253,210	269,082	326,723	247,160

²⁰ Total Authorities are greater than Planned Spending as \$65.5M was received through Supplementary Estimates (\$16.5M grant for BC Flood Risk Structure Mitigation, \$16.6M contribution re-profile for Infrastructure Canada Program, \$15.2M contribution transfer for Mountain Pine Beetle initiatives, \$12M contribution transfer for International Vaccine Centre's (InterVac) Biosafety Level III Containment Facility, and \$5.2M for other items).

²¹ Actual Spending is lower than Total Authorities, primarily due to the transfer of contractual commitments under the Infrastructure Canada Program, Mountain Pine Beetle initiatives, Alberta and Saskatchewan Centenaries Initiative and InterVac's Biosafety Level III Containment Facility in Saskatoon to future years.

Table 3: Sources of Respendable and Non-respendable Revenue

For supplementary information on the Department's sources of respendable and non-respendable revenue please visit: <http://www.tbs-sct.gc.ca/dpr-rmr/2007-2008/index-eng.asp>.

Table 4A: User Fees Act

For supplementary information on the Department's User Fees, please visit: <http://www.tbs-sct.gc.ca/dpr-rmr/2007-2008/index-eng.asp>.

Table 4B: Policy on Service Standards for External Fees

For supplementary information on the Department's Service Standards for External Fees, please visit: <http://www.tbs-sct.gc.ca/dpr-rmr/2007-2008/index-eng.asp>

Table 5: Details on Transfer Payments Programs

During the 2007-2008 fiscal year, Western Economic Diversification Canada managed the following transfer payment programs in excess of \$5M:

1. Western Diversification Program
2. Community Futures Program
3. Infrastructure Canada Program

Further information on these transfer programs can be found at: <http://www.tbs-sct.gc.ca/dpr-rmr/2007-2008/index-eng.asp>.

Table 6: Foundations (Conditional Grants)

Western Economic Diversification Canada provided the following conditional grants in excess of \$5M:

1. Friends of the Canadian Museum for Human Rights Inc. (\$27M)
2. Primrose Lake Economic Development Corporation (\$15M);
3. Prince Rupert Port Authority (\$30M)
4. Flood Risk Structural Mitigation in British Columbia (\$16.5M)

Further information on these Foundations (conditional grants) can be found at: <http://www.tbs-sct.gc.ca/dpr-rmr/2007-2008/index-eng.asp>.

Table 7: Horizontal Initiatives

Over the past year, Western Economic Diversification Canada was involved in the following horizontal initiatives as either the lead or the partner:

1. Western Economic Partnership Agreements (lead)
2. Infrastructure Canada Program (partner)
3. Canada Strategic Infrastructure Fund (partner)
4. Municipal Rural Infrastructure Fund (partner)

Supplementary information on Horizontal Initiatives can be found at: http://www.tbs-sct.gc.ca/rma/epi-ibdrp/hrdb-rhbd/profil_e.asp.

Table 8: Sustainable Development Strategy

For supplementary information on the Department's Sustainable Development Strategy, please visit: <http://www.tbs-sct.gc.ca/dpr-rmr/2007-2008/index-eng.asp>.

Table 9: Response to Parliamentary Committees and External Audits

For supplementary information on the Department's response to Parliamentary Committees and External Audits please visit: <http://www.tbs-sct.gc.ca/dpr-rmr/2007-2008/index-eng.asp>.

Table 10: Internal Audits and Evaluations

For supplementary information on the Department's Internal Audits and Evaluations, please visit: <http://www.tbs-sct.gc.ca/dpr-rmr/2007-2008/index-eng.asp>.

Table 11: Travel Policies

For supplementary information on the Department's travel policies, please visit: <http://www.tbs-sct.gc.ca/dpr-rmr/2007-2008/index-eng.asp>.

Table 12: Financial Statements

For Table 12, see Annex I.

Table 13: 2007–2008 G&C Expenditures by Sub-program

	Collaboration and Coordination	Research and Analysis	Advocacy	Community Economic Planning, Development and Adjustment	Infrastructure	Business Development and Entrepreneurship	Innovation	TOTAL
(\$ 000s)								
Western Diversification Program								
Alberta/Saskatchewan Centenaries	0	0	0	13,771	0	0	0	13,771
Entrepreneurs with Disabilities Program	0	0	0	0	0	1,381	0	1,381
Francophone Economic Development Organization	0	0	0	1,187	0	1,096	0	2,283
BC Flood Mitigation (GRANT)	0	0	0	16,500	0	0	0	16,500
Fraser River Port Authority (GRANT)	0	0	0	0	0	2,000	0	2,000
Mountain Pine Beetle – Airport Improvements Initiative	0	0	0	2,566	0	0	0	2,566
Mountain Pine Beetle – Community Economic Diversification Initiative	0	0	0	247	0	0	0	247
Internships	0	0	0	324	0	0	0	324
Pilot Projects	0	0	0	728	0	0	0	728
Conference Support	0	0	20	35	0	211	55	321
Canada/Saskatchewan Northern Development Agreement	0	0	0	1,636	0	0	0	1,636
Urban Aboriginal Strategy	0	0	0	21	0	0	0	21
Women's Enterprise Initiative	0	0	0	0	0	3,630	0	3,630
Intervac/VIDO	0	0	0	0	0	0	3,931	3,931
Urban Development Agreement	0	0	0	2,952	0	0	7,388	10,340
Western Diversification Program	0	504	0	5,933	0	11,332	40,020	57,789
Western Economic Partnership Agreement	0	10	0	4,794	0	2,097	12,045	18,946
TOTAL Western Diversification Program	0	514	20	50,694	0	21,747	63,439	136,414
TOTAL Loan Investment Program	0	0	0	0	0	1,731	0	1,731
TOTAL Community Futures Program	0	0	0	13,881	0	14,429	0	28,310
TOTAL Infrastructure Canada Program	0	0	0	0	30,659	0	0	30,659
TOTAL Innovation and Community Investment Program	0	0	0	6	0	0	0	6
TOTAL EXPENDITURES	0	514	20	64,581	30,659	37,907	63,439	197,120

**Table 14: Cumulative Impact of G&C Projects by Sub-Activity
(April 1, 2005 - June 25, 2008)²²**

The impact of all **Business Development and Entrepreneurship** projects reporting results from April 1, 2005 through June 25, 2008 at the sub-activity level is summarized below, excluding core funding of WCBSN members. These include 50 projects with WD expenditures of \$5.01M, the impact of which was captured through Project Gateway:

Sub-Activity	Goal	Performance Indicator	Outcome Reported
1.1.1 Improved Business Productivity	Increase in SME competitiveness and productivity	Client satisfaction	89.21%
		Jobs created or maintained	106.5
		Businesses created/maintained/expanded	268
1.1.2 Market/Trade Development	Increase in number of successful partnerships and strategic alliances	Industry association partnerships created	14
		Co's participating in export and market development initiatives	545
		Project promoting participations in major international event	10
1.1.3 Industry Collaboration	Increased participation in international markets	Partnerships/strategic Alliances	37
		Participant satisfaction	76.50%
1.1.4 Foreign Direct Investment	Increase in foreign investment in Western Canada	\$ in direct investment facilitated by WD	\$1,000,000
		Businesses created/maintained/expanded	5

The impact of all **Innovation** projects reporting results from April 1, 2005 through June 25, 2008 at the sub-activity level is summarized below. These include 89 projects with WD expenditures of \$19.32M:

Sub-Activity	Goal	Performance Indicator	Outcome Reported
1.2.1 Technology Adoption & Commercialization	Increase research of technology in institutions with commercialization potential	# of Patents files/issued	20
		# of Technology Demonstrations	85
		# of Technologies Adopted	4
		# of Prototypes developed	17
		# of Technologies to market	21
		Venture capital \$ invested	\$11,000,000
1.2.2 Technology Linkages	Increased connections and synergies among innovation system members.	# Partnerships/networks formed	66
		# Attendees	4,045
		# Members	495
		# Products or processes that are identified for further R&D	8
		# Demonstrations of viability of technology	5
		# Patents filed/issued	4
		# Studies	13
		# Individuals with enhanced skills	203
1.2.6 Knowledge Infrastructure	Increase in physical assets for research and development or training	# People trained	482
		# of Square meters dedicated to R&D and skills training	180
		Value of R&D undertaken in the new facility or using new equipment supported under this project	\$1,500,000
		# Physical assets	10

The impact of all **Community Economic Planning Development and Adjustment** projects reporting results from April 1, 2005 through June 25, 2008 at the sub-activity level is summarized below, excluding core funding of WCBSN members. These results include 130 projects with WD expenditures of \$32.89M:

²² All outcomes reported exclude Unexpected Benefits.

Sub-Activity	Goal	Performance Indicator	Outcome Reported
2.1.1 Community Planning	Enhanced community planning	# Activities providing planning leadership and expertise	101
		# Instances facilitating community involvement	483
		# Partnerships developed/maintained	96
		# Instances of increased capacity in community organizations	934
		# Enhanced community services or facilities	132
2.1.2 Community Development	Increased viability and diversification of local economies	# Instances of increased community stability	29
		# People trained	2724
		# Jobs created or maintained	24
		# Businesses created/maintain/expanded	44
		# Public private partnerships	1
2.1.3 Community Economic Adjustment	Successful community adjustment to mitigate economic crises	# Businesses created/maintained/expanded	138
		# Participants trained	163

The impact of all **Infrastructure Canada Program** projects reporting project benefits from program inception in October 2000 to March 31, 2008 at the sub-activity level is summarized below:

Sub-Activity	Goal	Performance Indicator	Outcome Reported
2.2.1 Green Infrastructure	Improved green infrastructure	Increase in # of households with improved potable water quality	587,275
		Increase in # of households with improved wastewater treatment (includes new connections to wastewater systems)	198,806
		Increased composting and recycling of solid waste (# of metric tonnes per annum)	4.1 million
		Improved energy efficiency of municipal buildings resulting in a reduction in electricity used (kWh per cubic meter)	4.3 million
		Improved energy efficiency of municipal buildings resulting in a reduction in heating fuel used (BTU per cubic meter)	1,879 million
2.2.2 Local Transportation Infrastructure	Better local transportation	# Road and local transportation infrastructure improvements	277
		# Of Communities benefiting from safer roads and new or improved public transportation	288
2.2.3 Other Infrastructure Priorities	Improved infrastructure such as recreation facilities, tourism, and rural telecommunications	# Visits to cultural and recreation facilities	8,522,657
		# New tourism infrastructure	32
		# Of Communities benefiting from cultural, recreation, and tourism facilities	290
		Increase in # of affordable house units	270
		Increase in # of high-speed Internet access for local public institutions	168

The impact of all projects reporting results under the **Policy, Advocacy & Coordination** strategic outcome, from April 1, 2005 through June 25, 2008 are summarized below. These results include 9 projects with WD expenditures of \$0.29M:

Program Activity	Goal	Performance Indicator	Outcome Reported
Collaboration and Coordination	Better coordinated economic development activities and programs in the West	Funding for coordinating programs	
		Improvement in geographic or target group program coverage	21
		Number of coordinated services offered	1
Advocacy	An improved understanding and awareness of western issues by federal policy makers and increased access to and participation in federal programs by the region		
		Number of western priorities accounted for in federal trade and investment policies	6
Research and Analysis	An enhanced dialogue around and understanding of western issues, challenges, opportunities and priorities	Number of opinion editorials based on WD sponsored research	4
		Number of program or policy decisions influenced by WD research	3
		Number of spokesperson and media references to reports	17

Table 15: 2007–2008 Program Activity Architecture

WD VISION - A stronger West. A stronger Canada.			
WD Mandate - promote the development and diversification of the western Canadian economy, coordinate federal economic activities in the West, and reflect western Canadian interests in national decision-making.			
Strategic Outcomes	SO 1 - Policy, Advocacy & Coordination	SO 2 - Community Economic Development	SO 3 - Entrepreneurship & Innovation
	Policies and programs that support the development of Western Canada.	Economically viable communities in Western Canada with a high quality of life.	A competitive and expanded business sector in Western Canada and a strengthened western Canadian innovation system.
Program Activities	1.1 - Collaboration and Coordination	2.1 - Community Economic Planning, Development, & Adjustment	3.1 Business Development & Entrepreneurship
	1.2 - Advocacy	2.2 - Infrastructure	3.2 - Innovation
	1.3 - Research & Analysis		
Sub -Activities		2.1.1 - Community Planning	3.1.1 - Improve Business Productivity
		2.1.2 - Community Development	3.1.2 - Market/Trade Development
		2.1.3 - Community Economic Adjustment	3.1.3 - Industry Collaboration
		2.2.1 - Green Infrastructure	3.1.4 - Foreign Direct Investment
		2.2.2 - Local Transportation Infrastructure	3.1.5 - Access to Capital
		2.2.3 - Other Infrastructure Priorities	3.2.1 - Technology Adoption & Commercialization
			3.2.2 - Technology Linkages
			3.2.3 - Technology Research & Development
			3.2.4 - Community Innovation
			3.2.5 - Technology Skills Development
			3.2.6 - Knowledge Infrastructure

SECTION IV – OTHER ITEMS OF INTEREST

Official Languages

WD continued to successfully fulfil its obligations under the *Official Languages Act*, through its role in implementing the Government of Canada's Action Plan on Official Languages, 2003–2008, and the implementation of Section 41 of the *Official Languages Act*, as outlined in the departmental Action Plan.

In the Office of the Commissioner of Official Languages 2007–2008 Annual Report, WD earned an overall B or “good” rating in his 2007–2008 Report Card, a significant improvement from the previous one. The Commissioner commended WD for its “exemplary” contributions toward the development of the Official Language Minority Communities (OLMCs) and its promotion of linguistic duality within the Department.

In 2007–2008, the final year of the five-year Action Plan for the Implementation of Section 41 of the OLA, WD invested over \$5M in order to:

- Build partnerships to address priorities identified by the OLMCs;
- Support the Francophone Economic Development Organizations (FEDOs); and
- Support projects with OLMCs.

Partnerships

Over the course of the year, WD has been able to support the goal of long-term economic development and sustainability. WD partnered with Canadian Heritage (PCH) through the **Interdepartmental Partnership with the Official Languages Communities (IPOLC)** to fund projects resulting in long-term sustainable community and economic advancements for the OLMCs. For example, in British Columbia, WD and PCH co-funded the Société de développement économique de la Colombie-Britannique to develop “Corridor touristique Francophone de l'Ouest” (CTFO), which supports Western Canada's bilingual tourism industry through the development and dissemination of French-language promotional tools. This project will capitalize on the international attention resulting from the Vancouver 2010 Winter Olympic Games.

WD also partnered with Industry Canada through the **Government of Canada Action Plan on Official Languages** to implement a series of tele-education pilot projects and youth internships in the West. In 2007–2008, WD funded a consortium of four western Canadian educational institutions, led by the Collège universitaire de Saint-Boniface, resulting in the development of six on-line courses in French. In 2007–2008, WD also assisted Francophone organizations across Western Canada in hiring 16 interns for lengths of time ranging from two to 12 months.

Francophone Economic Development Organizations (FEDOs)

WD ensured a consistent level of high quality service to Francophone entrepreneurs and small businesses, through the provision of operating funding to the four FEDOs. This partnership, under the broader umbrella of the WCBSN, provides enhanced services to Francophones, including training, access to capital, information services, networking, and marketing advice. The results of an impact assessment of the work of the FEDOs, initiated in March 2008, will be available in Fall 2008.

Project Funding and Support

In 2007–2008, WD supported the creation of valuable international relationships in order to strengthen global commerce opportunities for Canadian businesses. Through l'Agence nationale et internationale du Manitoba (ANIM), WD is supporting the following trade development and investment attraction activities: the identification and establishment of partnerships in France, Belgium and Tunisia; export development services for Manitoban businesses wishing to trade with these French-speaking countries; and provision of services for businesses abroad wishing to invest in Manitoba.

Implementing a Modern Management Agenda

Strengthening Accountability to Canadians

Considerable effort has gone into improving management practices resulting in strengthened accountability to Canadians. Key to this effort has been significant improvement in departmental planning processes that require greater integration of departmental activities, particularly human resources planning, and consistency in planning across regions and corporate units. All plans must demonstrate a clear alignment and contribution to the Department's objectives. Executive and staff performance agreements reflect targets set through the planning process.

WD has reorganized and revitalized the Department's audit and evaluation functions to address shortcomings in both audit and evaluation activities as identified by the Department and through the annual Management Accountability Framework assessment process. Emphasis has been on ensuring compliance to the new Treasury Board policy on internal audit and on building a performance measurement framework that will facilitate measurement of the results of WD's activities in accordance with Treasury Board's MRRS policy.

Integrating Risk Assessment

In 2007–2008, the Integrated Risk Management Steering Committee developed and implemented a series of initiatives, which included the completion of a departmental Corporate Risk Profile (CRP) by a senior executive committee and the integration of risk management statements in key reporting documents. As a result, the 2008–2009 WD Corporate Business and Human Resources Plan, for example, aligns the CRP to the PAA and is posted on the WD public web site under Reports and Publications.

Eight key risks were identified in the CRP and an action plan was constructed to capture mitigation measures, identify responsibilities, and define accountabilities. While the Department has made significant strides to address all eight risk areas, three tangible examples of planned activities stemming from the CRP are highlighted in the management practices, below: more integrated human resources planning, augmented learning initiatives, and improved information management and performance measurement. Although it is too early to comment on the impact on WD's performance as a result of the implementation of these risk mitigation measures, performance enhancement due to risk mitigation will be addressed in future DPRs.

Integrating Human Resource Planning

Building on the work begun in the Manitoba Region in 2005–2006, WD developed a Corporate Business Plan for 2007–2008 with a departmental Human Resource Plan as a companion. For the 2008–2009 fiscal year, WD continued to improve on its Business Plan and Human Resource Plan integration and completed a fully integrated Business and Human Resource Plan.

In 2007–2008, WD Manitoba Region fully implemented the succession planning pilot in the region for executive and management-level positions. All other WD regions began their executive succession planning exercises in 2007–2008 and continue to roll out succession planning for other levels in fiscal year 2008–2009.

Learning Initiative Results

WD continued its focus on continuous learning and development with the development of a learning policy, learning strategy and priorities for 2007–2008. Accompanying these documents was a corporate learning calendar, widely available to employees through the internal web site. Ninety-one per cent of the Department's employees completed personal learning plans (an increase from 70 per cent in 2006–2007).

WD continued its focus on mandatory training with the implementation of authority delegation training for all managers, and the identification and training of functional specialists. The Department also completed its commitment to deliver core competency, "Giving and Receiving Feedback," and labour relations courses.

One of WD's objectives was to develop an orientation package for new employees, including an on-line orientation module, a Managers' Guide to Employee Orientation, an Employee Passport, and a one-day in-person orientation session. These modules were validated in early 2007–2008 and launched in July 2008.

Improving Information Management

WD continues to enhance its custom developed web-based G&C project information system, called Project Gateway. This year it was rapidly adapted to support the reporting of Service Standards, and management of the Mountain Pine Beetle initiative. Project Gateway contributes to standardization of common business practices and processes across the Department, enabling greater efficiency, consistency, transparency, and accountability.

In addition, the RedDot web content management system was implemented for WD's public web site as part of the Department's Information Management (IM) Agenda. As a result, greater efficiencies have been achieved to produce and publish public information with the new functionality available. It has also enabled WD to ensure its compliance with Government of Canada Common Look and Feel requirements.

Moving forward sees further planned functionality for Project Gateway, and preparation for department-wide electronic document management in compliance with both the Government of Canada's IM and IT Policies.

Lessons Learned

Evaluation

Two evaluations were completed during 2007-2008 of initiatives led by other government departments, of which WD was an active participant. A third evaluation was completed in November 2008 of the Western Diversification Program authority, for which WD is solely responsible:

1. **Formative evaluation of Municipal Rural Infrastructure Fund (MRIF)** led by Infrastructure Canada (INFC) - The evaluation results indicate while it is too early to objectively assess outcomes, the design and delivery of MRIF is generally appropriate as a federal funding mechanism to support rural municipal infrastructure development in collaboration with various partners. However, the evaluation also identified the following "lessons learned" for improving the effectiveness of MRIF, which WD will implement:
 - **Performance measurement** - The original MRIF performance indicators were not consistently used in either the application or the monitoring stage. As well, the reporting requirements between INFC and the Regional Management Committees were unclear. The evaluator recommended that a set of mandatory performance indicators be established and that the performance reporting requirements be clarified.
 - **Risk management** - Although risk management had been taken into account during application review, it was an informal, reactive process during the project monitoring stage. Municipalities did not seem to have a clear understanding of risk management during the implementation of infrastructure projects. The evaluator recommended that future program design promote the capacity of municipalities to identify and manage risks proactively.
2. **Summative Evaluation of US Enhanced Representation Initiative (ERI)** led by DFAIT - As an emerging "whole of government initiative", ERI has the potential to be a relevant engine for ensuring that Canada's broader policy goals in the US are pursued in a holistic fashion that reflects the complexity of the Canada-US relationship. However, several lessons were learned from this initiative:
 - **Design** - Although partners have accepted the Results-based Management and Accountability Framework (RMAF), the evaluation raised concerns about the willingness of partners to implement aspects of the RMAF. The evaluators concluded that in the new ERI there needs to be a re-commitment to the vision and intent of the program and this should be articulated in the RMAF, governance, staffing, etc.
 - **Governance** - Given the importance of governing horizontal initiatives, the evaluation concluded that more emphasis needs to be placed on the role of the deputy minister and assistant deputy minister committees. These committees should complement the present role of the director general committee in implementing the initiative.
 - **Performance management** - Although ERI has a performance management framework in place, its partners have not been able to develop a process to implement the framework, which is a crucial part of the accountability and learning approach needed for horizontal initiatives.
3. **Western Diversification Program (WDP)** - The evaluation made the following recommendations for improving the effectiveness of WDP, which WD will implement:

- **Relevance** - The Department needs to maintain the current flexibility within the WDP in future design and delivery of the program.
- **Success** - The Department should improve performance measurement processes to capture linkages between strategic outcomes and program activities. The Department should also develop a system to follow-up on projects after WDP funding ends to track long-term benefits. Finally, the Department should continue to use the WDP to strengthen existing partnerships and develop new ones.
- **Design and Delivery** - The Department should improve the monitoring process to ensure that client reporting demonstrates results achieved against project indicators. The Department should also improve databases to ensure that all pertinent information is collected and updated.

Audit

Five audits were completed during the period. Three were related to WD G&C programs: the audit of the Loan and Investment Program, the audit of the Women's Enterprise Initiative and the audit of the administration of G&C funding. The remaining two related to the operating and administration expenditures of travel and hospitality. The audit of the Administration of G&C found that overall procedures at WD were effective and improvements are being made on an ongoing basis as a result of previous audit work. All audits found the Department to be meeting Treasury Board and departmental policy requirements and only had recommendations related to minor administrative improvements, which are being implemented as a result of the audits.

Performance Measurement

WD continues to address the challenges relating to performance measurement and continuous learning occurs with each step of the implementation of the Department's performance measurement framework developed in support of the PAA. Challenges result primarily due to the fact that, for the most part, results are obtained over a long period of time through recipients of departmental funding rather than as a result of direct WD interventions. Work to resolve performance measurement challenges consists of constant review of the existing framework and indicators, improvements to the database that captures and reports on results and ongoing training of all staff. The Treasury Board Secretariat and other government departments, particularly the other Regional Development Agencies, are consulted frequently and adjustments are made based on these consultations.

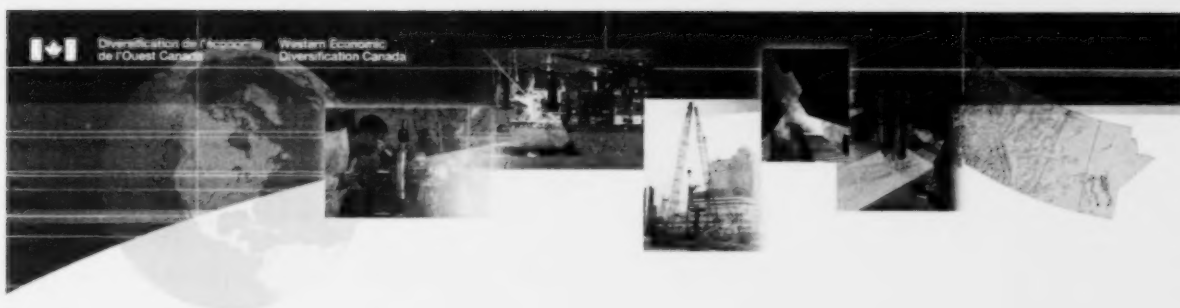
Stakeholder Input

WD continues to engage stakeholders in various forums to look for opportunities and gauge risk from an external perspective. In 2007-08, Ekos Research Associates conducted a client satisfaction survey on behalf of WD, designed according to Common Measurement Tool guidelines. Three hundred and eighteen clients were interviewed who had an interaction with WD within the last 12 months. Eighty-seven per cent of clients were satisfied with both the overall quality of the service delivery and the accessibility of services, while 75 per cent were satisfied with the amount of time it took to get service. Seventy-six per cent of clients said that in the end they got what they needed. WD's areas of strength identified include customer relations and knowledgeable staff. Areas for improvement included length of bureaucratic application process and providing timely information.

All evaluations conducted by the Department include surveys and the engagement of stakeholders and key informants. The Western Diversification Program evaluation indicated that, overall, 76.6 per cent of the survey recipients agreed that they were satisfied with the project screening, approval, and monitoring and payment processes currently in use by the WDP. Twenty-three point three per cent reported satisfaction with the level of communication they had with staff. Dissatisfaction largely pertained to the complicated nature of the reporting process (4.2 per cent) and the length of the approval process (4.1 per cent). Preliminary findings from the Community Futures Program evaluation in progress reflect a high degree of support for this WD program authority and a high level of satisfaction with WD's program administration and delivery. The final results will be known once the final report is approved and posted on WD's public web site.

In early 2008, WD engaged with external stakeholders and experts in a proprietary interactive process call the Challenge Dialogue System, which facilitates multiple opportunities for exchange of ideas. In total, 215 informed stakeholders were asked for their contribution, with a 25 per cent response rate, in three areas: rural diversification, value-added processing, and productivity and competitiveness. This process has identified opportunities that will be used by WD's executive committee in their formation of policy, strategies and action plans to guide WD's efforts in these three areas.

ANNEX I: FINANCIAL STATEMENTS



WESTERN ECONOMIC
DIVERSIFICATION CANADA
FINANCIAL STATEMENTS (Unaudited)
FOR THE YEAR MARCH 31, 2008

Western Economic Diversification Canada

Statement of Management Responsibility

Responsibility for the integrity and objectivity of the accompanying financial statements for the year ended March 31, 2008, and all information contained in this report rests with Western Economic Diversification Canada (WD) management. These financial statements have been prepared by management in accordance with accounting standards issued by the Treasury Board of Canada Secretariat which are consistent with Canadian generally accepted accounting principles for the public sector.

Management is responsible for the integrity and objectivity of the information in these financial statements. Some of the information in the financial statements is based on management's best estimates and judgement and gives due consideration to materiality. To fulfil its accounting and reporting responsibilities, management maintains a set of accounts that provide a centralized record of the Department's financial transactions. Financial information submitted to the *Public Accounts of Canada* and included in the WD's *Departmental Performance Report* is consistent with these financial statements.

Management maintains a system of financial management and internal control designed to provide reasonable assurance that financial information is reliable, that assets are safeguarded and that transactions are in accordance with the *Financial Administration Act* are executed in accordance with prescribed regulations, within Parliamentary authorities, and are properly recorded to maintain accountability of Government funds. Management also seeks to ensure the objectivity and integrity of data in its financial statements by careful selection, training and development of qualified staff, by organizational arrangements that provide appropriate divisions of responsibility, and by communication programs aimed at ensuring that regulations, policies, standards and managerial authorities are understood throughout the Department.

Management is supported by the Departmental Audit and Evaluation Committee. This Committee approves the departmental audit and evaluation plan and oversees the internal audit and evaluation activities in the Department. It also reviews the results of audits and evaluations as well as management responses and action plans developed to address audit or evaluation recommendations.

The financial statements of Western Economic Diversification Canada have not been audited.

Oryssia J. Lennie
Deputy Minister

Edmonton, Alberta
Canada

Cathy Matthews
Interim Senior Financial Officer

Date

Date

Western Economic Diversification Canada
Statement of Operations(unaudited)
For the Year Ended March 31, 2008
(in thousands of dollars)

	<u>2008</u>	<u>2007</u>
Transfer Payments (note 4)		
Policy, Advocacy and Coordination	934	545
Community Economic Development	91,871	177,179
Entrepreneurship and Innovation	100,842	115,041
Total Transfer Payments	<u>193,647</u>	<u>292,765</u>
Operating Expenses (note 4)		
Policy, Advocacy and Coordination	13,981	11,523
Community Economic Development	18,374	15,143
Entrepreneurship and Innovation	29,510	24,320
Total Operating Expenses	<u>61,865</u>	<u>50,986</u>
Total Expenses	<u>255,512</u>	<u>343,751</u>
Revenues (note 5)		
Policy, Advocacy and Coordination	-	-
Community Economic Development	281	725
Entrepreneurship and Innovation	10,340	4,047
Total Revenues	<u>10,621</u>	<u>4,772</u>
Net Cost of Operations	<u>244,891</u>	<u>338,979</u>

The accompanying notes form an integral part of these statements.

Western Economic Diversification Canada
Statement of Financial Position (unaudited)
At March 31, 2008
(in thousands of dollars)

	<u>2008</u>	<u>2007</u>
Assets		
Financial Assets		
Receivables		
-Other Government Departments	274	706
-External Parties (note 6)	2,632	2,281
Repayable Contributions (note 7)	8,227	9,755
Total Financial Assets	<u>11,133</u>	<u>12,742</u>
Non Financial Assets		
Prepayments (note 8)	10,929	10,959
Prepaid Expenses	110	-
Tangible Capital Assets (note 9)	1,842	1,170
Total Non-Financial Assets	<u>12,881</u>	<u>12,129</u>
Total Assets	<u><u>24,014</u></u>	<u><u>24,871</u></u>
Liabilities		
Accounts Payable and Accrued Liabilities		
-Other Government Departments	886	1,064
-External Parties (note 10)	134,539	99,334
Vacation pay and compensatory leave	1,628	1,589
Employee severance benefits (note 11)	6,489	6,594
Total Liabilities	<u>143,542</u>	<u>108,581</u>
Equity of Canada	<u>(119,528)</u>	<u>(83,710)</u>
Total Liabilities and Equity of Canada	<u><u>24,014</u></u>	<u><u>24,871</u></u>
Contractual Obligations (Note 12)		
Contingent Liabilities (note 14)		

The accompanying notes form an integral part of these statements.

Western Economic Diversification Canada
Statement of Equity of Canada (unaudited)
At March 31, 2008
(in thousands of dollars)

	<u>2008</u>	<u>2007</u>
Equity of Canada, beginning of year	(83,710)	(49,680)
Net cost of operations	(244,891)	(338,979)
Current year appropriations used (note 3)	247,160	339,009
Revenue not available for respending	(11,010)	(5,255)
Change in net position in the Consolidated Revenue Fund (note 3-c)	(31,663)	(33,504)
Services provided without charge by other government departments (note 13-a)	4,586	4,699
Equity of Canada	<u><u>(119,528)</u></u>	<u><u>(83,710)</u></u>

The accompanying notes form an integral part of these statements.

Western Economic Diversification Canada
Statement of Cash Flow (unaudited)
For the Year Ended March 31, 2008
(in thousands of dollars)

	<u>2008</u>	<u>2007</u>
Operating transactions		
Net cost of operations	244,891	338,979
Non-Cash Items:		
Amortization of tangible capital assets	(337)	(142)
Gain (Loss) on disposal of tangible capital assets	11	(13)
Services provided without charge by other government departments (note 13 (a))	(4,586)	(4,699)
Variations in Statement of Financial Position:		
Increase (decrease) in receivables	(81)	(401)
Increase (decrease) in repayable contributions	(1,528)	(1,413)
Increase (decrease) in prepayments	(30)	(286)
Increase (decrease) in prepaid expenses	110	-
Decrease (increase) in accounts payable and accrued liabilities	(35,027)	(31,853)
Decrease (increase) in vacation pay and employee severance benefits	66	(772)
Cash used by operating activities	<u>203,489</u>	<u>299,400</u>
Capital investment activities		
Acquisitions of tangible capital assets (Note 9)	1,013	850
Proceeds from disposal of tangible capital assets	(15)	-
Cash used by capital investment activities	<u>998</u>	<u>850</u>
Financing Activities		
Net Cash Provided by Government of Canada	<u>(204,487)</u>	<u>(300,250)</u>

The accompanying notes form an integral part of these statements.

Western Economic Diversification Canada
Notes to the Financial Statements (Unaudited)
For the Year Ended March 31,2008

1. Authority and Objectives

Western Economic Diversification Canada (WD), a department of the Government of Canada operates under the authority of the *Western Economic Diversification Act* of 1988 that works to strengthen Western Canada's economy and advance its interests in national economic policy.

Through the *Act*, WD is mandated to:

- promote the development and diversification of the western Canadian economy;
- coordinate federal economic activities in the West; and
- reflect western Canadian interests in the formation of national economic policy.

Working in partnership with provincial and municipal governments, as well as other organizations, WD's programs and initiatives contribute to the Government of Canada's agenda for building a 21st Century economy in the West.

WD's headquarters and Deputy Minister are located in Edmonton, Alberta. In close cooperation with western stakeholders, WD's objective is to more effectively guide federal government policies, regulations and resources so that they become more constructive instruments of western economic growth and diversification. WD's efforts are concentrated in three distinct but interrelated areas leading to the following strategic outcomes:

- policies and programs that support the development of Western Canada (Policy, Advocacy & Coordination);
- economically viable communities in Western Canada with a high quality of life (Community Economic Development); and
- a competitive and expanded business sector in Western Canada and a strengthened western Canadian innovation system (Entrepreneurship and Innovation).

As part of WD's mandate to co-ordinate federal economic activities in the West, WD implements some programs on behalf of other federal departments and agencies. These programs are implemented under Memoranda of Understanding where the other federal department provides the authorities and funding from Parliament. Related costs are reported in the accounts of other federal departments, they are not reflected as expenses in these Financial Statements.

2. Summary of Significant Accounting Policies

The financial statements have been prepared in accordance with accounting standards issued by the Treasury Board of Canada Secretariat which are consistent with Canadian generally accepted accounting principles for the public sector.

Significant accounting policies are as follows:

- (a) Parliamentary appropriations – WD is financed by the Government of Canada through Parliamentary appropriations. Appropriations provided to WD do not parallel financial reporting according to Canadian generally accepted accounting principles since appropriations are primarily based on cash flow requirements. Consequently, items recognized in the Statement of Operations and the Statement of Financial Position are not necessarily the same as those provided through appropriations from Parliament. Note 3 provides a high-level reconciliation between the two bases of reporting.
- (b) Net Cash Provided by Government – WD operates within the Consolidated Revenue Fund (CRF). The Receiver General for Canada administers the CRF. All cash received by WD is deposited to the CRF and all cash disbursements made by WD are paid from the CRF. Net cash provided by Government is the difference between all cash receipts and all cash disbursements including transactions between departments of the federal government.
- (c) Change in net position in the CRF is the difference between the net cash provided by government and appropriations used in a year, excluding the amount of non-respendable revenues recorded by WD. It results from timing differences between when a transaction affects appropriations and when it is processed through the CRF.
- (d) Revenues
 - I. Revenues from regulatory fees are recognized in the accounts based on the services provided in the year.
 - II. Other revenues are accounted for in the period in which the underlying transaction or event occurred that gave rise to the revenues.
 - Sources of revenues include:
 - Interest charges on repayment of contributions.
- (e) Expenses are recorded on the accrual basis:
 - I. Transfer Payments:
 - Grants are recognized in the year in which the conditions for payment are met.
 - Contributions are recognized in the year in which the recipient has met the eligibility criteria or fulfilled the terms of a contractual transfer agreement.
 - II. Vacation pay and compensatory leave are expensed as the benefits accrue to employees under their respective terms of employment.
 - III. Services provided without charge by other government departments for accommodation, the employer's contribution to the health and dental insurance plans, workers' compensation and legal services are recorded as operating expenses at their estimated cost.
- (f) Employee future benefits
 - I. Pension benefits: Eligible employees participate in the Public Service Pension Plan (*The Public Service Superannuation Act*), a multi-employer plan administered by the Government of Canada. WD's contributions to the plan are charged to expenses in the year incurred and represent the total departmental obligations to the plan. Current legislation does not require WD to make contributions for any actuarial deficiencies of the plan.

- II. Severance benefits: Employees are entitled to severance benefits under labour contracts or conditions of employment. These benefits are accrued as employees render the services necessary to earn them. The obligation relating to the benefits earned by employees is calculated using information derived from the results of the actuarially determined liability for employee severance benefits for the government as a whole.
- (g) Accounts receivables and advances. These are stated at amounts expected to be ultimately realized; a provision is made for receivable where recovery is considered uncertain.
- (h) Loss Support Contributions and Investment Program - are agreements with financial institutions whereby the financial institutions authorize and issue loans using their own capital, and WD contributes to a loss support contribution, equal to between 10 and 20% of the value of the loans issued. These reserves may be used to offset a portion (up to 80%) of net losses on defaulted loans, but may not exceed WD's total contribution.
- (i) Transfer Payments are payments that are made on the basis of an appropriation for which no goods or services are directly received (but may require the recipient to provide a report or other information subsequent to receiving payments). WD administers two types of transfer payments:
- Grants: transfer payments made to an individual or organization that is not subject to being accounted for or audited, but for which eligibility and entitlement may be verified or the recipient may need to meet pre-conditions.
 - Contributions: conditional transfer payments made to an individual or organization for a specified purpose pursuant to a contribution agreement that is subject to being accounted for and audited.

Within the Contributions category, WD is authorized to make both non-repayable and repayable contributions. Repayable contributions are contributions whereby the recipient is expected to repay the amount advanced. Depending on their nature, they are classified as either unconditionally repayable or conditionally repayable and are accounted for differently. Normally, these contributions are provided at no interest.

- I. Unconditionally repayable contributions are contributions that must be repaid without qualification. Due to their concessionary nature, they are recorded on the Statement of Financial Position as loans at their estimated present value. A portion of the unamortized discount is brought into income each year to reflect the change in the present value of the contributions outstanding. Appropriate allowances for uncollectible amounts are also established based on an individual appraisal of accounts. Interest revenue on outstanding receivables is recognized in the year that they are earned.
- II. Conditionally repayable contributions are contributions that all or part of which becomes repayable if conditions specified in the contribution agreement come into effect. Accordingly, they are not recorded on the Statement of Financial Position until such time as the conditions specified in the agreement are satisfied at which time they are then recorded as a receivable and a reduction in transfer payment expenses. Appropriate allowances for uncollectible amounts are also established based on an individual appraisal of accounts.

Prior to 1995 repayable contributions were regularly used to assist in the delivery of WD's mandate. Since 1995 they have only been used in limited circumstances. However, these repayable contributions will continue to be recorded on the financial statement and will continue to be until they are repaid or all reasonable attempts to collect have been taken and the accounts written-off.

III. Non-Repayable contributions are contributions that are not repayable unless default conditions in the agreement are exercised.

- (j) Prepayments (note 8) – WD follows the Treasury Board Transfer Payment Policy, Article 7.6 Cash Management Policy: Instalments of Grants and Advance Payments of Contribution, Section 3 – advance payments are only provided or limited to the immediate cash requirement based on a monthly cash flow forecast from the recipient.
- (k) Contingent liabilities (note 14) are potential liabilities, which may become actual liabilities when one or more future event(s) occurs or fails to occur. To the extent that the future event is likely to occur or fail to occur, and a reasonable estimate of the loss can be made, an estimated liability is accrued and an expense recorded. If the likelihood is not determinable or an amount cannot be reasonably estimated, the contingent liability is disclosed in the notes to the financial statements.
- (l) Tangible capital assets (note 9) – All tangible assets and leasehold improvements having an initial cost of \$10,000 or more are recorded at their acquisition cost. WD does not capitalize intangibles, works of art and historical treasures that have cultural, aesthetic or historical value.

Amortization of tangible capital assets is done on a straight-line basis over the estimated useful life of the asset as follows:

Asset class	Sub-asset class	Amortization period
Machinery and equipment	Computer equipment	3 years
	Computer software	3 - 7 years
	Other equipment	10 years
Vehicles		5 years
Leasehold improvements		Term of the lease

- (m) Measurement uncertainty – The preparation of these financial statements in accordance with accounting standards issued by the Treasury Board of Canada Secretariat which are consistent with Canadian generally accepted accounting principles for the public sector requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses reported in the financial statements. At the time of preparation of these statements, management believes the estimates and assumptions to be reasonable. The most significant items where estimates are used are allowance for doubtful accounts, the liability for employee severance benefits, the useful life of tangible capital assets and unamortized discount related to unconditionally repayable contributions. Actual results could differ from those estimated. Management's estimates are reviewed periodically and, as adjustments become necessary, they are recorded in the financial statements in the year they become known.

3. Parliamentary Appropriations

WD receives most of its funding through annual Parliamentary appropriations. Items recognized in the Statement of Operations and the Statement of Financial Position in one year may be funded through Parliamentary appropriations in prior, current or future years. Accordingly, WD has different net cost of operations for the year on a government-funding basis than on an accrual accounting basis. The differences between net cost of operations and appropriations are reconciled in the following tables.

(a) Reconciliation of net cost of operations to current year appropriations used:

	2008	2007
	(in thousands of dollars)	
Net cost of operations	244,891	338,979
Adjustments for items affecting net cost of operations but not affecting appropriations:		
Add (Less):		
Amortization of tangible capital assets	(337)	(142)
Services provided without charge by other government departments - note 13(a)	(4,586)	(4,699)
Revenue not available for respending	11,010	5,255
Refund of prior years expenditures	3,816	1,835
Gain (Loss) on disposal of tangible capital assets	11	(13)
Decrease (increase) in vacation and compensatory leave	(39)	(52)
Decrease (increase) in employee severance benefits	105	(720)
Other:	(8,694)	(1,998)
	<u>1,286</u>	<u>(534)</u>
Adjustments for items not affecting net cost of operations, but affecting appropriations:		
Add (less):		
(Decrease) increase in prepayments	(30)	(286)
Acquisitions of tangible capital assets	1,013	850
	<u>983</u>	<u>564</u>
Current year appropriations used	<u>247,160</u>	<u>339,009</u>

(b) Appropriations provided and used:

	2008	2007
	(in thousands of dollars)	
Vote 1 - Operations	50,706	49,009
Vote 5 - Transfer Payments	270,983	320,027
Statutory amounts	5,034	4,924
Total Appropriations	326,723	373,960
Less:		
Appropriations available for future years	(11)	-
Lapsed / Unused appropriations: - Operating Expenditures incl EBP	(5,689)	(7,515)
Lapsed / Unused appropriations: - Transfer Payments *	(73,863)	(27,436)
	(79,563)	(34,951)
Total Appropriations Used	247,160	339,009

*WD received approval from TB to reprofile 37,301 K of unused appropriations to 08/09 & 09/10 through the 2008/09 ARLU process. Reprofiting of the remaining balance will done through Supplementary Estimates.

(c) Reconciliation of net cash provided by Government of Canada to current year appropriations used:

	2008	2007
	(in thousands of dollars)	
Net Cash provided by government	204,487	300,250
Revenue not available for respending	11,010	5,255
Total Change in net position		
Refund of prior years expenditures	3,816	1,835
Change in net position in the Consolidated Revenue Fund:		
(Increase) decrease in accounts receivable	81	401
(Increase) decrease in repayable contributions	1,528	1,413
(Increase) decrease in prepaid expenses	(110)	
Increase (decrease) in accounts payable and accrued liabilities	35,027	31,853
Increase (decrease) in proceeds from disposal of tangible capital assets	15	-
Other adjustments:	(8,694)	(1,998)
Total Change in net position	31,663	33,504
Current year appropriations used	247,160	339,009

4. Expenses

The following table presents details of expenses by category:

	2008	2007
	(in thousands of dollars)	
<u>Transfer Payments</u>		
Transfer Payments	193,647	292,765
Total Transfer Payments	193,647	292,765
<u>Operating Expenses</u>		
Salaries	29,568	29,003
Employee benefits	6,997	7,982
Transportation & Communications	3,530	3,150
Information	500	445
Professional and special services	6,933	5,578
Rentals	993	775
Repairs, utilities, materials and supplies	895	1,097
Acquisition of machinery and equipment	1,106	741
Accommodation	2,392	2,319
Bad Debts	8,294	(210)
Amortization of tangible capital assets	337	142
Other	320	(36)
Total Operating Expenses	61,865	50,986

5. Revenues

The following table presents details of revenues by category:

	2008	2007
	(in thousands of dollars)	
Interest	1,311	576
Amortization of discount on repayable contributions	372	173
Revenues from Conditionally repayable contributions	8,835	902
Compensatory Repayments	89	3,114
Other	14	7
Total Revenues	10,621	4,772

6. Accounts Receivable – External Parties

	2008	2007
	(in thousands of dollars)	
Accrued Interest	954	468
Receivable from the Province of British Columbia	1,491	1,851
Non-Repayable Contributions	94	1,114
Other Receivables	11,533	3,591
Employee Advances	5	5
Gross External Parties Account Receivable	14,077	7,029
Allowance for Doubtful Accounts	(11,445)	(4,748)
Total External Parties Receivable	2,632	2,281

7. Accounts Receivable – Repayable Contributions

	2008	2007
	(in thousands of dollars)	
Unconditionally Repayable Contributions	24,120	31,477
Unamortized Discount on Unconditionally Repayable Contributions	(612)	(985)
Allowance for Doubtful - Repayable Contributions	(15,358)	(21,092)
Net Unconditionally Repayable Contributions	8,150	9,400
Accrued Interest -Unconditionally Repayable Contributions	5,885	7,024
Allowance for Doubtful Accounts - Accrued Interest Receivable	(5,808)	(6,669)
Total Repayable Contributions	8,227	9,755

8. Prepayments

	2008	2007
	(in thousands of dollars)	
Loss Support Contributions	12,390	12,590
Allowance for Losses on Loss Support Contributions	(2,371)	(2,636)
Net Loss Support Contributions	10,019	9,954
Non-Repayable and Conditionally Repayable Contributions	910	1,005
Total Prepayments	10,929	10,959

9. Tangible Capital Assets

(in thousands of dollars)

	Machinery & Equipment	Vehicles	Leasehold Improvements	Total
Cost				
Opening balance	2,204	119	428	2,751
Acquisitions	699	19	34	752
Work in Progress	261	0	0	261
Disposals	-436	-49	0	-485
Closing balance	2,728	89	462	3,279
Accumulated amortization				
Opening balance	-1,162	-82	-336	-1,580
Amortization	-269	-7	-61	-337
Disposals	436	44	0	480
Closing balance	-995	-45	-397	-1,437
2008 Net book value	1,733	44	65	1,842
2007 Net book value	1,041	37	92	1,170

Amortization expense for the year ending March 31, 2008 is \$336,538 (\$141,656 for the year ending March 31, 2007).

10. Accounts Payable and Accrued Liabilities – External Parties

	2008	2007
	(in thousands of dollars)	
Transfer Payments *	130,667	98,083
Operating	2,944	514
Accrued Salaries and Wages	928	737
Total Accounts Payable and Accrued Liabilities-External Parties	134,539	99,334

* Included in Transfer Payments for 2007/08 is 43.873 K of Canadian Strategic Infrastructure Fund and Municipal Rural Infrastructure Fund OGD projects. In previous fiscal years, these accrued liabilities were reported by Infrastructure Canada.

11. Pension and Severance Benefits

- (a) Pension benefits: WD's employees participate in the Public Service Pension Plan, which is sponsored and administered by the Government of Canada. Pension benefits accrue up to a maximum period of 35 years at a rate of 2 percent per year of pensionable service, times the average of the best five consecutive years of earnings. The benefits are integrated with Canada/Québec Pension Plans benefits and they are indexed to inflation.

Both the employees and WD contribute to the cost of the Plan. The 2007-08 expense amounts to \$3,657,215 (\$3,624,004 in fiscal year 2006-07), which represents approximately 2.1 (2.2 - 2006-07) times the contributions by employees.

WD's responsibility with regard to the plan is limited to its contributions. Actuarial surpluses or deficiencies are recognized in the financial statements of the Government of Canada, as the plan's sponsor.

- (b) Severance benefits: WD provides severance benefits to its employees based on eligibility, years of service and final salary. These severance benefits are not pre-funded. Benefits will be paid from future appropriations. Information about the severance benefits, measured as at March 31, is as follows:

	2008	2007
	(in thousands of dollars)	
Accrued benefit obligation, beginning of year	6,594	5,874
Expense for the year	419	1,405
Benefits paid during the year to March 31	(524)	(685)
Accrued Benefit Obligations, end of year	6,489	6,594

12. Contractual Obligations

The nature of the WD's activities can result in some large multi-year contracts and obligations, whereby WD will be obligated to make future payments when the conditions under the agreement are met. Significant commitments that can be reasonably estimated are summarized as follows:

	2009	2010	2011	2012	2013 and thereafter	Total
Transfer Payment	(in thousands of dollars)					
Infrastructure Canada	16,632	571	-	-	-	17,203
Alberta & Saskatchewan Centenaries	12,105	17,700	-	-	-	29,805
Mountain Pine Beetle	19,530	-	-	-	-	19,530
VIDO-InterVac- U of Sask	18,382	21,306	5,382	-	-	45,070
Rick Hansen Foundation	2,133	2,135	-	-	-	4,268
Core Programming	114,514	72,345	20,244	5,075	1,550	213,728
Total Estimated Future Commitments	183,296	114,057	25,626	5,075	1,550	329,604

13. Related party transactions

WD is related as a result of common ownership to all Government of Canada departments, agencies and Crown corporations. WD enters into transactions with these entities in the normal course of business and on normal trade terms. Also, during the year, WD received services, which were obtained without charge from other Government departments as presented in part (a).

(a) Services provided without charge:

During the 2007-08 fiscal year, WD received without charge from other departments, accommodation services, legal fees, workers' compensation and the employer's contribution to the health and dental insurance plans. These services without charge have been recognized in WD's Statement of Operations as follows:

	2008	2007
	(in thousands of dollars)	
Services provided without charge		
Accommodation	2,392	2,319
Employer's contribution to the health insurance plan and employee benefits plans	2,087	2,343
Legal Services	67	8
Worker's compensation	40	29
Total services provided without charge	4,586	4,699

The government has structured some of its administrative activities for efficiency and cost-effectiveness purposes so that one department performs these on behalf of all without charge. The costs of these services, which include payroll and cheque issuance services provided by Public Works and Government Services Canada, are not included as an expense in the WD's Statement of Operations.

(b) Administration of programs on behalf of other government departments.

Part of WD's mandate is to coordinate federal economic activities in the West. In this regard, WD implements programs on behalf of other federal departments and agencies. The following is a list of programs valued at greater than one million dollars in federal contributions administered by WD over the last two fiscal years. These expenses are reflected in the financial statements of the other government departments and not those of WD.

	2008	2007
	(in thousands of dollars)	
Urban Aboriginal Strategy (UAS) - Indian and Northern Affairs	10	9,646
Canada Strategic Infrastructure Fund - Infrastructure Canada	188,639	111,401
Municipal Rural Infrastructure Fund - Infrastructure Canada	27,989	16,197
Enhanced Representation Initiative - Foreign Affairs	205	166
TOTAL	216,843	137,410

14. Contingent liabilities

Claims have been made against WD in the normal course of operations. To the extent that the future event is likely to occur or fail to occur, and a reasonable estimate of the loss can be made, an estimated liability is accrued and an expense recorded in the financial statement.

WD is named as a co-defendant in a suit. The outcome of this claim is not determinable at this time. The potential financial impact of this case cannot be estimated but could be significant. No accrual for this contingency has been made in the financial statements.